

FINANCIAL TIMES

The nuclear choice still facing Gorbachev, Page 19

EUROPE'S BUSINESS NEWSPAPER

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D 8523 B

World news Business summary

Israel and Syria reduce tensions

Israel and Syria backed away from a new military confrontation, with both countries claiming that the recent tension between them was diminishing.

Target puts off market flotation

TARGET GROUP, the UK life assurance and unit trust company, has postponed indefinitely its stock market flotation, blaming the poor state of the London market.

Dutch election faces fallout from Chernobyl disaster

CHERNOBYL may have sounded the death knell for the Netherlands' centre-right government, writes Laura Rann in Amsterdam.

The most recent public opinion polls, published on Saturday, show the coalition parties falling two seats short of the 78 seats needed for a parliamentary majority.

Party	No of seats	Opinion poll May 17	1982
Christian Democrats	46	47	47
Liberals	28	28	28
Labour Party	54	48	48
Democrats '66	11	11	11
Other left	5	9	9
Other right	6	7	7
Majority: 78			

Democrats could probably agree on economic policies with relative ease. Even the Labour Party concedes that there is a need to cut the national budget deficit - the only question is how fast.

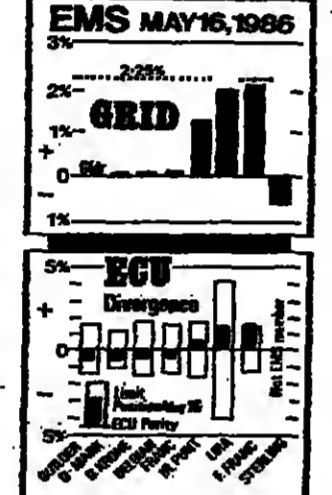
The hallowed system of Ipvich government benefits has been trimmed only fractionally since the centre-right administration took office in 1982.

Llamas go west in the great American round-up

AMERICAN interests have achieved the least likely, and most muted, buy-out of a British enterprise: the llama-breeding business.

Sri Lanka suffers renewed violence

Fighting among Tamil separatist rebels and the security forces in Sri Lanka claimed 17 lives as the Tamils claimed the army had launched an offensive to break the rebels' siege of the northern capital of Jaffna.



UK ministers press for rise in spending

A MAJORITY of British Cabinet ministers now believe there should be higher spending on education, health and housing to try to reverse the Government's rising unpopularity.

Government's performance, from inside and outside the ranks of its own supporters, will now give momentum to the case for higher spending.

US groups win entry to new UK market

THE BANK of England has allowed three US institutions - Morgan Guaranty, Morgan Stanley and Salomon Brothers - to participate in the new sterling commercial paper market, where business officials get under way tomorrow.

New York Fed chief warns on dollar's decline

EFFORTS to drive down the value of the dollar over the last six months have been "broadly constructive," but there is a danger that too sharp a slide could have "very adverse consequences" for US interest rates and for the world economy, a leading US central bank official has warned.

Mr Corrigan's warning, which echoes earlier comments by Mr Paul Volcker, the Federal Reserve Board chairman, underlines the unease within the US central bank about the speed of the dollar's recent decline.

Channel bomb threat

Security measures were stepped up in ports in Britain, France, Belgium and the Netherlands after terrorist bomb threats. Cars were stopped and checked by police at ports throughout southern and eastern England before being allowed onto cross-Channel ferries.

Chemobyl effects

West German Chancellor Helmut Kohl criticised Soviet leader Mikhail Gorbachev for failing to offer compensation to the West for the effects of radioactive fallout from the Chernobyl nuclear reactor disaster.

Soviet jet shot down

A Soviet MiG-21 jet was shot down by two Pakistani F-16 aircraft while it was on a mission to drop bombs near Peshawar, near the Afghan border.

Escape foiled

Police guards in Paris, in the French Provence mountains, foiled an escape attempt by Guy Cantavenera, a man charged last year with the murder of a Basque refugee.

Talks on hostages

West Germany held talks with Nicaraguan rebel representatives to try to secure the release of eight West German kidnappers in northern Nicaragua.

Bangladesh polling

The pro-Government Jatiya Party widened its lead in Bangladesh's staggered parliamentary election after fresh polling in some areas that suffered violence this month.

Sudanese deaths

Makour Deshaig, a provincial Sudanese governor, and seven others were killed when a rocket fired by rebels shot down their aircraft at the south Sudanese town of Rumbek.

Attack 'beaten off'

Iran said its troops beat off an Iraqi invading force near the border city of Mehran and Iraqi troops were three miles from the city.

Apartheid warning

Indian Prime Minister Rajiv Gandhi appealed to all countries to increase pressure on South Africa to end apartheid, warning of an imminent bloodbath unless change came rapidly.

Arms cache find

South African police said they had uncovered, in a mineshaft, what they believed to be the biggest arms cache in the country's history.

Finnish strike ends

Finland's civil servants' strike ended at midnight on Saturday after the union's board of representatives voted 10-1 for a return to work.

Burroughs and Sperry confirm talks on merger have begun

BURROUGHS and Sperry, two of the largest US computer manufacturers, were in negotiations at the weekend that might lead to a merger, creating a new and more powerful challenger to IBM in the mainframe markets.

Burroughs has already begun a \$70-a-share cash tender offer for 33m Sperry shares, which, if completed, would give it control of the group as the first step in a merger.

Wall Street has however generally viewed Sperry's novel self-tender offer response, which appears to set a minimum \$74 to \$75 a share value on the group - as an attempt to put pressure on Burroughs to sweeten its bid, rather than an outright rejection of the merger proposal.

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OVERSEAS NEWS

GOVERNMENT WILLING TO TAKE TOUGH POLICY DECISIONS

Mexico 'close to debt package'

BY WILLIAM HALL IN PHOENIX
MR MIGUEL MANCERA, the governor of Mexico's central bank, says that he is hopeful that his country will reach agreement...

accomplished since 1983. Mr Mancera admitted that concern about the size of Mexico's budget deficit was the main obstacle in reaching agreement with the IMF...

defect would be to exclude the inflation induced component of interest payments on the public debt—a concept known as the operational deficit. On this basis he was confident that Mexico's operational deficit would not exceed 2.5 per cent of GDP in 1988.

were endorsed by Dr William Cline of the Washington-based Institute for International Economics, who described the \$17bn figure as "excessive" and said that Mexico's current account figures were misleading.

Balaguer leads poll in Dominican Republic

By Robert Graham in Santo Domingo
MR JOAQUIN BALAGUER, the 78-year-old blind leader of the right-wing Reformist Party (PRSC) looked set to win yesterday's Dominican Republic presidential election...

ANC and group from Commonwealth may hold more talks

BY PATTI WALDMER IN LISAKA
THE DOOR has apparently been left open for a further session of talks between the African National Congress (ANC) and a Commonwealth team working to initiate negotiations between the South African Government and its opponents.

Tamil break fall in fighting

By George de Silva in Colombo
TAMIL separatist combatants in Sri Lanka's Jaffna peninsula are fighting by launching an attack on Jaffna Port, the main army encampment in the north on Saturday...

Taiwan accuses China of stalling in negotiations

BY DAVID DODWELL IN HONG KONG
TAIWAN yesterday accused China of deliberately stalling negotiations over the recovery of a Taiwanese aircraft and two of its crew after the aircraft's captain flew it to China...

Pakistan Speaker to be ousted

BY JOHN ELLIOTT AND MOHAMMED AFTAB IN ISLAMABAD
PAKISTAN'S ruling Moslem League Party has decided to remove Mr Fakhar Imam, the Speaker of the National Assembly, from his post, accusing him of not being impartial and of not co-operating with the Government.

Punjab leader performs penance

PUNJAB'S MODERATE Akali Party Chief Minister, Mr Surjit Singh Barnala, yesterday spent the day at the Holy Sikh temple at Anandpur Sahib cleaning the shoes of Sikh pilgrims as part of a seven-day penance that could heal the serious rift in his ruling party, K. K. Sharma writes from New Delhi.

Kuwait 'will not pull out assets'

Finance Minister Jassim al-Khorafi said yesterday that Kuwait's plans to spread its investments to Communist states and the Third World did not threaten its huge assets in the west, Reuters reports from Kuwait.

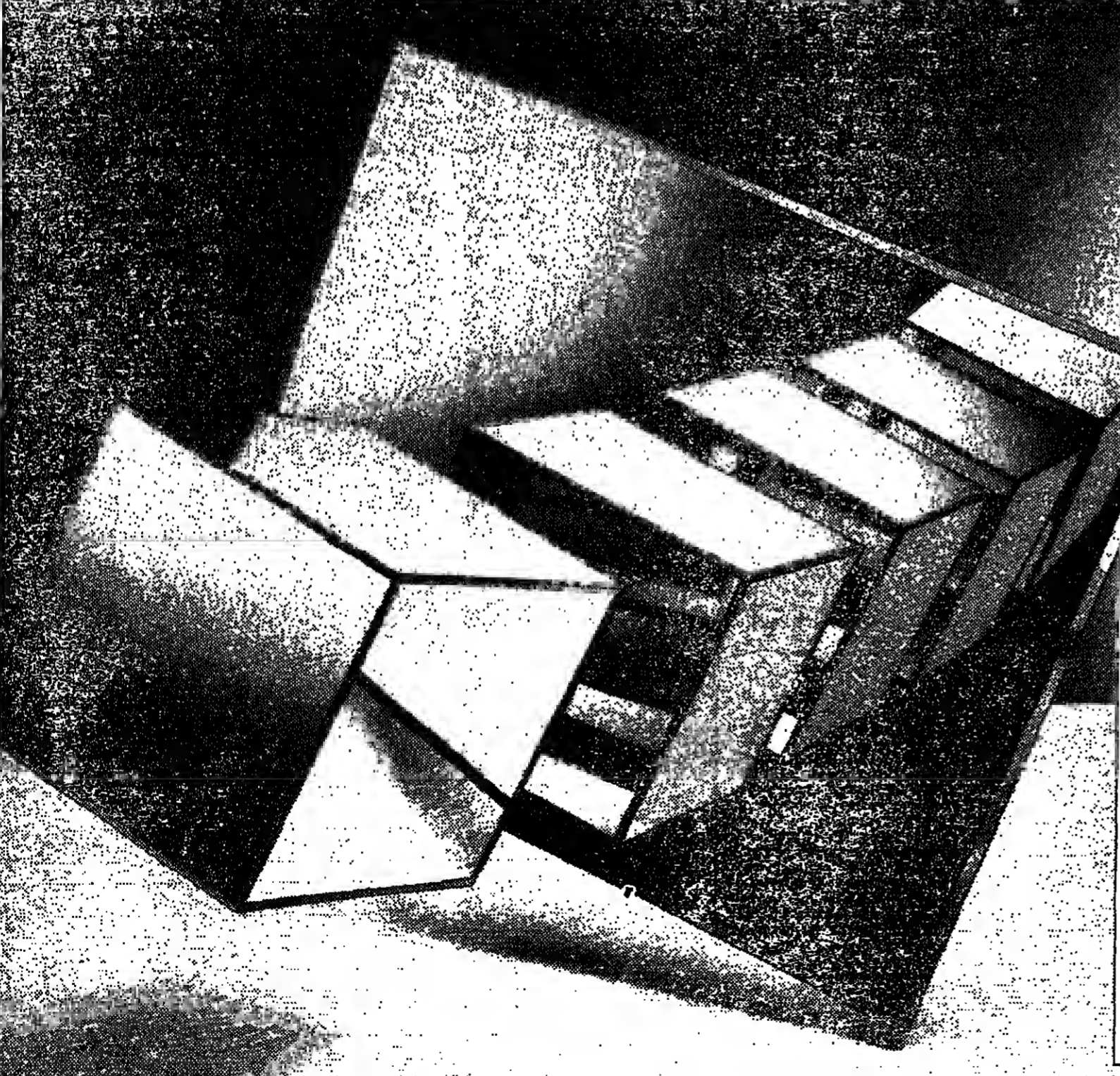
Mob disrupts Korean rally

BY STEVEN B. BUTLER IN SEOUL
AN opposition memorial service for victims of the bloody 1980 Kwangju uprising was disrupted by a mob of youths shouting slogans against the moderate New Korea Democratic Party yesterday.

South African police said they had found what they believed to be the biggest arms cache in the country's history. Reuters reports from Johannesburg.

Earlier this month, the Tigers concentrated their fire on a rival group, the Eelam People's Liberation Front. The Tigers killed at least 150 Eelam fighters and established its military supremacy in the north. Reports said that the Tigers were attacking army patrols from school buildings, churches and private houses.

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OVERSEAS NEWS

Israel and Syria say tension between them diminishing

BY REGINALD DALE, US EDITOR IN WASHINGTON

ISRAEL and Syria yesterday backed away from a new round of military confrontation, with both countries claiming that the recent tension between them was diminishing.

Mr Shimon Peres, the Israeli Prime Minister, said on American television that Israel did not intend to attack Syria and that he did not see an imminent danger of war between the two countries. "I do not believe that Syria will attack Israel tomorrow morning," he added.

President Hafez Assad of Syria told the Washington Post that the risks of confrontation appeared to be lessening. Neither Syria nor Israel had undertaken any unusual troop movements in recent days, he said in an interview.

Tension between the two countries increased last week after the Israeli, British, West German and American governments all linked Syria in one way or another with international terrorism. Israel, in particular, accused Syria of involvement in the failed attempt to bomb an El Al airliner on a flight from London's Heathrow airport to Israel last month.

Israel also complained of threatening moves by Syria to

Kohl wants Moscow to pay for damages

WEST GERMAN Chancellor Helmut Kohl yesterday criticised Mr Mikhail Gorbachev, the Soviet leader, for failing to offer compensation to the West for the effects of radioactive fall-out from the Chernobyl nuclear disaster, Reuters reports for Munich.

Referring to Mr Gorbachev's televised address on the Chernobyl reactor accident last Wednesday, Mr Kohl said the Kremlin leader had taken three weeks to make a public statement on the issue.

"It would certainly have been better if he had dropped his attacks on other states and explained how the Soviet Union intends to compensate for the material damage which was caused, above all in the Federal Republic of Germany," he told a rally in Munich.

Mr Gorbachev accused Western countries of exploiting the Chernobyl accident to mount an anti-Soviet campaign and singled out the US and West Germany for special criticism.

Bonn has said it wants compensation from Moscow to cover losses suffered by German farmers after milk and vegetable sales were restricted when radioactive fall-out from the reactor reached West Germany.

The Soviet ambassador to Bonn, Mr Yuli Kvitinsky, has said the Kremlin feels no obligation to make any such payments.

Meanwhile, the West German Greens party, buoyed by a surge of support after the Chernobyl disaster, yesterday demanded the country's immediate withdrawal from Nato. Delegates at an environmental party congress in Hanover brushed aside moderate resolutions on defence and the slogan "Out of Nato" a central theme — together with abolition of nuclear power — in their campaign for national elections in January.

Dutch delay plans for nuclear reactors

BY LAURA RAUN IN AMSTERDAM

AMBITIOUS PLANS for at least two new nuclear power plants in the Netherlands have been delayed — probably for years — and could eventually be dropped.

The proposal for two or more reactors with a combined generating capacity of around 2,000 megawatts is presently among the biggest nuclear projects outside France. But the Christian Democrat-Liberal Government had little choice other than to freeze plans until the Chernobyl disaster is thoroughly understood.

The Economics Ministry is to report back to the Cabinet on the Russian reactor accident but did not indicate how long that would take.

Meanwhile, the electricity utility industry has closed the nuclear construction bureau that originally was to have invited bids this month for the F1 10bn (\$4bn) pair of reactors.

The centre-right Government of Prime Minister Ruud Lubbers decided in January 1985 to expand nuclear power as a way of meeting the

country's energy needs by the year 2000. The Parliament agreed with the Cabinet's decision amid amazingly little fanfare considering the Netherlands' long and bitter opposition to nuclear energy.

A decade of often vitriolic public debate had kept new nuclear power stations at bay, leaving the Netherlands with only a relatively small 6 per cent of its electricity nuclear generated. The two existing nuclear plants are a 450 MW pressurised water reactor in Borssele built in 1973 and an experimental 30 MW boiling water reactor in Dodewaard.

Chernobyl has whipped up anti-nuclear feeling, but sentiment is not running nearly as high as in past years or elsewhere in Europe.

About 70 per cent of the Dutch population opposes new nuclear stations, according to a recent public opinion poll, compared with less than 50 per cent last January. But the poll also showed that more than half believed the existing plants should be kept open.

Pakistan shoots down MiG-21

BY MOHAMMED AFTAB IN ISLAMABAD

THE SHOOTING down of a Soviet MiG-21 fighter by the Pakistan Air Force during the weekend could lead to increased fighting in Afghanistan and across the Pakistan-Afghanistan border.

Two Pakistani F-16s shot down the MiG-21 which was nine miles inside Pakistani territory and had dropped four bombs near Parachinar, close to the Afghan border.

Pakistani soldiers spent yesterday scouring the rugged mountains near Parachinar where the wreckage of the jet was strewn, searching for the missing pilot.

The aircraft was one of four MiG-21s which had intruded into Pakistani territory. Pakistani aircraft also hit another MiG-21 in the tail but the burning aircraft was last seen

flying back towards Afghanistan. It may have crashed.

The border area bombing and shootings were stepped up after May 5 when foreign ministers from Pakistan and Afghanistan began UN-sponsored negotiations with the aim of resolving the Afghan crisis.

More than 85 people, many of them Afghan refugees, have been killed by Soviet and Afghan forces in the Parachinar areas during the past fortnight.

The aircraft, which appears to prove Pakistani charges that Soviet jets violate its air space, was hit one day after the Soviet-backed Kabul government and Islamabad agreed to continue the peace negotiations in Geneva.

The talks, which began in 1982, have been held back over the vital questions of the withdrawal of 115,000 Soviet troops from Afghanistan. The Soviet Union believes that if it withdraws its soldiers, the Islamic guerrillas will overrun Kabul and capture the Government from the present communist regime led by President Babrak Karmal.

Western diplomats monitoring the situation said: "If the Soviets and Afghans do not take the shooting down of their aircraft seriously and continue intruding into the Pakistani territory, the cross-border fighting may escalate. But it is also unlikely that they will sit back and cease their operations into and close to the Pakistani border."

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Iran says Iraqi assault on border town halted

BY KATHY EVANS IN DUBAI

IRAN SAID its troops beat off an Iraqi invading force in the area of the border town of Mehran yesterday and that Iraqi troops were now three miles from the town.

Over the weekend, Baghdad claimed that Iraq's second army corps had captured Mehran, which lies in the central sector of the war front. Troops crossed the border at a point 37 miles south-west of the Iranian city of Haman.

If confirmed, this represents a minor success for the Iraqi forces since they began their new tactic of entering Iranian territory to divert Iranian

operations in the Faw peninsula. The Iraqi army has been unable to dislodge Iranian troops from Faw, since they crossed the Shatt al Arab waterway on February 9. Iraqi forces now claim to hold 145 sq miles of Iranian territory.

On the other side of the Gulf, the bodies of two Honduran seamen killed in a missile attack on the supertanker Aristotle S. Onassis were brought to a Dubai hospital yesterday. Several recent attacks in the southern Gulf near UAE territory mark an apparent widening of the danger zone.

Yugoslav Premier favours bigger market forces role

BY ALEKSANDAR LEBL IN BELGRADE

MR BRNKO MIKULIC, Yugoslavia's new prime minister, has said that he favours the principle of giving market forces greater sway, but will not shy from imposing controls if companies continue to abuse the lack of economic competition by raising prices excessively.

Yugoslav inflation is running at more than 80 per cent a year. Mr Mikulic has more room to manoeuvre than Mrs Milka Planinc from whom he took over the premiership last Friday, because that day also

saw the end of six years of supervision by the International Monetary Fund under standby arrangements. The IMF consistently opposed attempts to freeze prices.

In his inaugural speech to Parliament, Mr Mikulic promised to pursue policies that would reward those who increased exports, productivity and savings. He particularly wanted to promote small businesses with fiscal and credit incentives, as well as tourism and joint ventures.

Editorial comment, Page 18

Finnish strike settled

FINLAND'S strike of 42,000 civil servants ended at midnight Saturday after the unions' board of representatives voted 10-3 to return to work. Olli Virtanen reports from Helsinki.

The employers' side approved the mediators' offer earlier.

The strike, which stopped trains, seriously disrupted air traffic and closed most of public offices, including the Post Office, lasted almost seven weeks.

The settlement gives civil servants a pay rise of about 20 per cent in total for this year and 1987.

French unemployment

French unemployment rose by 1.7 per cent in April to 2,429m people, our Paris Staff reports. But this still leaves the total number of unemployed only 1.1 per cent above the level of a year ago.

Prediction of further unemployment this year takes no account of the Government's crash programme to provide more jobs for the young by partially waiving social security contributions

Former Turkish PM attacks political curbs

TURKEY'S former Prime Minister, Mr Bulent Ecevit, bitterly attacked restrictions on political life in that country when he addressed a mass audience in Ankara for the first time in six years, Reuters reports from Ankara.

He spoke to several thousand cheering supporters of the small Democratic Left Party, formed by his wife Rahsan last year, in an apparent breach of a ban on his involvement in politics until 1982.

Mr Ecevit, 60, who was premier three times during the 1970s, devoted much of his 90-minute speech to attacking the country's 1982 constitution, which imposed the restriction on him and which he said

did not represent the will of the people.

Students and teachers were barred from politics, civil servants from forming associations and professional groups could not express their views freely, he said.

While Prime Minister Turgut Ozal had business friends in Parliament, officials of trade unions and co-operatives were not allowed to be deputies.

Parliament last month lifted a ban on former leaders speaking publicly.

But they remain under a constitutional restriction that they "shall not establish relations of any kind with political parties."

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WORLD TRADE NEWS

UK government help for exporters to Africa criticised

BY MICHAEL HOLMAN BRITISH aid, trade and commercial representation in Africa is sharply criticised in the results of a survey of nearly 50 companies published today. The commercial sections of British embassies and high commissions are often understaffed and personnel said to lack adequate commercial training, there is "unsatisfactory" provision of export information, and the services of Britain's Export Credit Guarantee Department (ECGD) does not match those provided by competitors, according to responses to a questionnaire circulated to companies with interests in Africa. The exercise was conducted by a committee comprising representatives of the London Chamber of Commerce and Industry, the East Africa and Southern Africa Association, and the West Africa Committee. The committee acknowledges that there is a temptation for companies to claim all the credit for their successes, and blame British government policies and the embassies' shortcomings, for all their failures. "Nevertheless," it says, "there is concern about British government support being inferior to the support given by foreign governments to their business enterprises." The committee's report highlights five areas in particular: 1 The early warning system provided through the British Overseas Trade Board's Export Information Service is considered "unsatisfactory," while posts in Africa are understaffed and often inadequately trained. 2 Co-ordination of government services available to companies is lacking and a single reference point is needed. 3 Financing of pre-feasibility studies for major construction projects should be one of government's foremost priorities when considering the application of bilateral development funds. 4 The ECGD does not match the support provided by competing export credit agencies. 5 The services of the Department of Trade and Industry, the BOTB and other government and quasi-government bodies are insufficiently known to British business, says the committee. "British aid, trade and commercial representation in Africa, London Chamber of Commerce and Industry, 69, Cannon Street, London EC3N 5AB. Tel: 01-248 4444.

Norwegians to build Bosphorus ferries

By Fay Gjester in Oslo FJELLSTRAND, a west Norwegian shipyard which specialises in building high-speed, aluminium passenger ferries with catamaran hulls, has booked its largest-ever order—for 10 vessels each 38.5 metres long, with seating for 450. The contract, worth about \$35m, comes from a newly-established company in Istanbul, Albatross Shipping, which will operate a service across the Bosphorus Straits, linking the Asian and European halves of the Turkish city. The first ferry will be delivered by the end of February 1987 and the others by September 1988. Five will have a maximum speed of 25 knots, and the others of 32 knots. Fjellstrand is reported to be taking a stake in Albatross, and that the 10 ships, to be built on credit, will be paid for over operations. Fjellstrand managing director, Mr Erik Nevedal, conceded that Fjellstrand was "helping to establish" Albatross Shipping, but said that his company had not yet decided whether it would actually take a stake in the new company.

Mary Frings reports from Dallas on the Teresat project China launch for US satellite group

THE US Teresat project, which plans to use China's Long March 3 carrier rocket to put two commercial telecommunications satellites into orbit, will be funded by a \$80m public share float together with some private equity and loan finance. Mr Henry Schwarz, president and chairman of Universal Satellites (USatco)—which is a 25 per cent equity holder and managing partner in the Teresat consortium—said yesterday two US companies had expressed interest in underwriting the public issue, which would be offered in the market "as soon as the pieces of the project have been put together." He declined to name the potential underwriters at this stage. He said China's Great Wall Industry Corporation was offering preferential launch and insurance rates, but would not be involved in financing either the purchase of the two satellites from Lloyds of London or the cost of launching them. Lloyds underwriters have been holding Western Union's Weststar six and the Indonesian government's Palapa B satellites as salvage since 1984, when the US Space Shuttle Discovery recovered them from faulty orbit. If they conclude a package deal with Teresat at the reported price of \$50m, they will recoup less than a third of the \$180m paid out in insurance claims, to say nothing of the cost of the retrieval operation. The Teresat project is unique not only because it is based on salvaged hardware, but because it promises to give Chinese technology its first big breakthrough into the Western commercial market. To achieve this, the Chinese were prepared to cut satellite launch costs by about 15 per cent and offer an attractive insurance package through their own People's Insurance Company. A delegation from quasi-government Great Wall Industry visited several aerospace companies in the US last month. This helped to establish its credentials. But the strongest argument in favour of the Long March 3 launch vehicle was its availability, at a time when the European Ariane programme is fully booked and NASA launch schedules are delayed for at least 18 months. Teresat had booked a November 1987 launch slot with NASA for Weststar Six. The initial \$80m price-tag for the satellite was \$25m. The Teresat consortium is placing on their project covers only the costs associated with acquiring the hardware and the first launch towards the end of next year. It does not include the second launch about three months later (the Chinese rocket carries only one satellite), nor the \$10.5m worth of new equipment for the real estate market. Its biggest venture so far is a \$32m terminal project in the port of Houston, comprising four cargo docks, a giant grain elevator and a tank farm used for export storage of edible oils. FNT is the managing partner and majority shareholder in the limited partnership formed to own the project. FNT's role in Teresat is not only to raise finance, but also to provide an interface with the real estate community. Teresat's targeted customers for satellite telecommunications capacity will be real estate developers and their tenants in industrial parks and office buildings throughout suburban USA. Mr Beaborn says there is a demand for what he calls "enhanced tenant services" such as shared data transmission and video-conferencing facilities, which could add \$5 per square foot to the rental value of commercial property. Teresat will mount an aggressive marketing campaign—in the next six months, and is hoping to secure commitments for 50 per cent usage of Weststar's 24 transponder capacity by the time the satellite is launched next year. If this usage level is achieved on each satellite, the annual lease-revenue would amount to about \$20m, at the projected rate of between \$300,000 and \$1m per transponder. Pending the public flotation and the negotiation of loans, bridging finance of about \$2m will be arranged next month through private equity placements by First National Trust (FNT) of Houston, which is a partner in the consortium. Mr Dan Beaborn of FNT said the response had been excellent and he already had tentative commitments for the bulk of the \$8m. FNT has been in business since 1985—which makes it the venerable institution in the state of Texas. A privately-held company with only three principals, it acts broadly as an investment banking institution.

Brel wins rail coach order from China

By Lisa Wood British Rail Engineering (BRE), which is expected to announce shortly a tender to build for the Chinese railway market for rail coaches, has signed, after 18 months of talks, for Brel to build three prototype vehicles based on the company's design. A high-tech investment in Chinese rail is seen as a key element of the country's economic development. A £5m order has been placed for the first three coaches, for Brel to build in its factory at Charingworth. The Chinese plan to spend £100m on coaches by the end of 1988, based on the prototypes to be built at Brel. Derby plant. The placing of the order will have an impact on the imminent announcement of retentions.



Brazil subsidy challenged by Eximbank

THE US Export-Import Bank has once again challenged Brazil's export credit agency for offering to sell hydroelectric power plant equipment in the US with subsidised export financing, Nancy Dunne writes from Washington. Eximbank is offering a loan of \$42m at 6.5 per cent to finance the sale of turbine generators for a project on the Youghiogheny River near Pittsburg. The offer is in direct competition with a bid from Voth-Brazil of Sao Paulo. The bank is backing Allie Chalmers Hydro of York, Pennsylvania, and Century Steel Corporation of Pittsburg, under a provision of US law which allows Exim to offer subsidised financing domestically when foreign financial subsidies may be "a significant factor" in a deal. Mr John Bohn Jr, the bank's chairman, said he is especially concerned about the Brazilian offer of low interest rate US dollar financing when Brazil "is ignoring arrears of \$200m on its loans from Eximbank."

Competition to sell aircraft intensifies

BY Robert Thomson in Beijing THE COMPETITION to supply China's increasing aircraft needs has been particularly evident in the past week with leading US manufacturers displaying their wares at a trade mission exhibition here, and Boeing formally announcing on Saturday the sale of eight aircraft to the Civil Aviation Administration of China (CAAC). Also, the United Technologies Corporation announced at the weekend that it could be buying Pratt and Whitney engines under a licensing agreement with the Chinese National Aero-Technology Import Export Corporation for the country's Y-12 commuter planes. Beijing's vice-president of international sales, Mr Robert Norton, said his company was convinced that "we must do more than just sell planes to China," and is looking for a suitable manufacturing agreement similar to one arranged by McDonnell Douglas, which signed an agreement for the assembly of 25 MD-80 twin-jet transports in Shanghai with the Shanghai Aircraft Industrial Corporation. The aircraft will be assembled in Long Beach, California, and then shipped to Shanghai for completion. Mr Norton said Boeing had been discussing the sale of military avionics with Chinese officials in particular, early warning systems. He said the size of the Chinese market is difficult to gauge, but he envisages demand will be strong for many years. The strength of the market will depend on the continuation of the civil and military air fleets, and the country's ability to develop its own aircraft, an ability that has been given priority.

Caribbean leaders head for Tokyo

THE prime ministers of three Caribbean island states—Antigua, St Lucia and St Vincent—are going to Tokyo this week to discuss trade, aid and investment possibilities in the Organisation of Eastern Caribbean States countries, writes Canute James in Kingston. The organisation groups the former British colonies in the Leeward and Windward Islands. Mr Jack Compton, St Lucia's Prime Minister said they would be seeking to redress the considerable trade imbalance with Japan.

SHIPPING REPORT Lower oil prices help to increase tanker rates

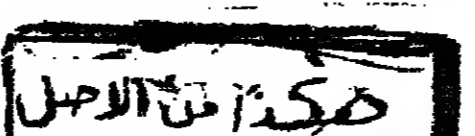
BY ANDREW FISHER, SHIPPING CORRESPONDENT TANKER RATES moved further ahead last week, as the continued low level of oil prices stimulated demand and led to more big tankers leaving their lay-up berths. Imports of crude oil into the US east coast and northern Europe were also forecast to rise strongly in the next four years in a study by London-based Drewry Shipping Consultants. Most of the increase would come from the Middle East. Drewry said total world tanker employment would rise to some 190m dwt in 1990 from 182m dwt in 1984 and a much reduced 164m dwt in 1985. The present crude oil tanker fleet is just over 200m dwt. From the Gulf, rates took off last week past the top end of the Worldscale 20 range, where they have been stuck for many months to reach Worldscale 35 for a 250,000 dwt vessel to the West. Owners were also offering tonnage to charterers at rates of just under Worldscale 40 to Worldscale 45, said Galbraith, the UK shipbroking firm. Low fuel prices have prompted owners to speed up their vessels, after the sharp rise in the 1970s led to slow-loading to save costs and absorb the tonnage surplus. The volume of available VLCC (very large crude carrier) and ULC (ultra large) tonnage over 200,000 and 300,000 dwt respectively was the lowest for a long time, said E. A. Gibson Shipbrokers of London. In the month to mid-May it said the amount of lay-up tanker and combined carrier (able to carry wet and dry bulk cargoes) shipping fell from 32.5m dwt to 29.5m dwt, with VLCCs and ULCs accounting for most of the decline. The lower lay-up figure reflected both further sales of ships for scrap—15 vessels of 1.25m dwt were sold to the scrapyard during the period—and others being brought back into service.

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World Economic Indicators Foreign Exchange Reserves (US\$m) Table with columns for US, UK, West Germany, Italy, Belgium, Netherlands, France and rows for Mar '86, Feb '86, Jan '86, Mar '85.



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China

Equipment is expected to be used in the next few years. The Chinese government has been working on a design for a new aircraft, and it is expected that it will be built in the next few years. The Chinese government has been working on a design for a new aircraft, and it is expected that it will be built in the next few years.

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THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Grande école goes English

VERY discreetly, a revolution is taking place at one of the venerable French "grandes écoles"...

Paul Betts explains why France's leading business school is internationalising its curricula



Jean Paul Larçon: "It's bound to provoke a fuss"

mote the French language and culture. Only recently he went as far as suggesting that French should be able to replace English as the language used in computer sciences and information processing technologies.

HEC in 1964 was already a pioneer among French grandes écoles by deciding to decentralise itself and moving out of Paris to a leafy American-style campus at Jouy-en-Josas, near Versailles.

Saxon cultural and business environment, says Larçon. French students who choose the all English course will be exposed far more to international business and companies than in the traditional French language curriculum.

Lobbying

How and where to influence policy

"If we work only in French, our overall student selection is inevitably limited, especially for students from Asia or Japan who need to work in English," he explains, adding: "We also want to attract people who want to come to HEC but can't because of the language problem."

THE BRITISH tend to be woefully ignorant about the way in which their political institutions work. That lack of knowledge about Westminster and Whitehall must be multiplied many times when it comes to knowing about who does what in the European Community's array of institutions.

Advocate of the case study

FRANCIS LORENTZ at 44, relaxing in his neat modern office in the Avenue Malakoff in Paris, is the picture of the modern breed of French business manager—blending entrepreneurial spirit with the classic self-confidence of a French technocrat.

Lorentz, inevitably, is also a product of the grandes écoles. First he went to HEC "where I got a lot of practical knowledge, basic accounting training and a sense of the concrete" and then to the Ecole Nationale d'Administration (ENA), the stable of top French technocrats and public servants, where he learnt the art of synthesis and expression.

experience was preparing the entrance examination for the school, Lorentz says. It takes one or two years, sometimes more, to prepare for entrance to a grande école. Lorentz chose HEC because the year of preparation involved more general subjects than for the Ecole Polytechnique which is also a stable for future French company directors.

found secondary education unimpressively boring. At HEC, Lorentz enjoyed the school's flexible and liberal structure. "It taught me the importance of the market, to respect financial balances without which everything will ultimately collapse, and the spirit of enterprise."

After HEC and ENA, Lorentz spent his mandatory 10 years in the French administration. ENA graduates must all do 10 years in public service after graduating from school. He then went to work as deputy managing director of the Lyonnaise des Eaux, the large French water distribution group, before going to Bull.

Some of the largest companies have specialists in government affairs—their job is to liaise with officials and politicians so that they know what is on the agenda, and help to ensure that their senior people will be given the chance to make their views known.

For this you pay £20, plus £5 for the binder, which would cover a lot of "black" telephone calls. But the guide also has the merit of a loose leaf format, with easy signposting, and the opportunity to up-date information three or four times a year for which you pay £8 a time.

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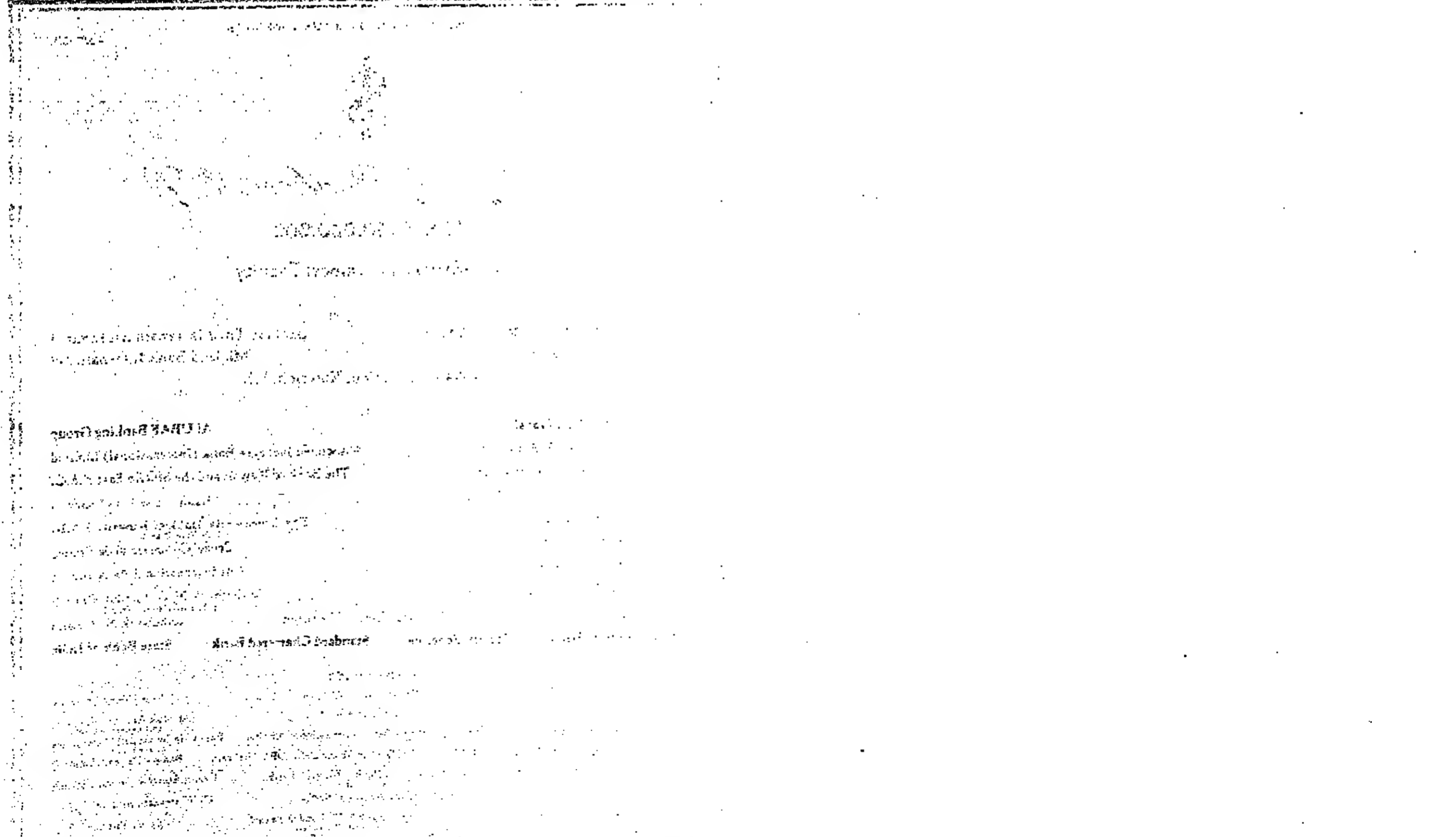
Advertisement for Türkiye İş Bankası A.Ş. U.S. \$150,000,000 Pre-Export and Import Facility. Lists various banks and financial institutions providing services.

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مركزنا من العمل

Continuous a. The state of being continuous; an uninterrupted connection or succession in time or sequence; unbrokenness, uninterrupted duration.

With acknowledgements to the Concise Oxford and Webster's dictionaries.



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UK NEWS

MPs urge Government to support shipbuilding industry

BY ANDREW FISHER, SHIPPING CORRESPONDENT

THE GOVERNMENT will come under strong pressure this week to act in support of the UK merchant and naval shipbuilding industry, which faces heavy redundancies because of the lack of new orders.

MPs from shipbuilding areas, mainly in Scotland and north-east England are today due to meet Mr Paul Channon, Trade and Industry Secretary, to discuss the crisis at state-owned British Shipbuilders, which last week announced 3,500 redundancies.

The Government is not thought likely to shift from its view that the worldwide difficulties of shipbuilding make it hard to justify special measures for the declining UK industry.

Wednesday's shipbuilding debate in the House of Commons is expected to be contentious as MPs express concern over the rundown of the industry. Shipyard workers have been voting this weekend over whether to agree to a token one-day strike on the same day as the debate.

The privatised warship yards are suffering from the slowdown in

Ministry of Defence orders as a result of attempts to curb defence spending.

Swan Hunter, the Tyneside warship builder employing 4,500 people, is planning to tell unions of proposed redundancies. Recently, it lost a £130m order for a complex naval support ship to state-owned Harland and Wolff of Belfast.

Yesterday, Swan said failure to win this contract and the lengthy delay in the ordering of a promised Type 23 frigate were "of utmost concern to the entire company."

Swan was promised the warship order in January 1985 after Cammell Laird on Merseyside was awarded the last of the Type 22 frigates to keep it open after the depleted workforce had resisted strike action by militants.

Apart from Swan Hunter, which has said that up to 2,000 jobs could go by the end of next year, other privatised warship yards also face heavy job losses.

Competing with Swan and Cammell for future Type 23s will be Yarrow on the Clyde, Scotland, and Vosper Thornycroft in Southampton.

Both yards need more work to avoid further job cuts.

Last week's defence White Paper (policy statement) did not hold out much hope of early orders for the yards. Swan is keen to obtain work on a new generation of amphibious craft but has received no go-ahead from the Government.

Swan's statement affirmed that the management of the yard was determined to keep it open. But it gave a warning that its short-term future was inevitably linked to the Government's defence procurement policy.

On the merchant side, Labour MPs are expected to press Mr Channon today for a package of measures to prevent further job cuts and the possible eventual disappearance of the industry.

British Shipbuilders is pursuing ferry and container ship orders in the UK and abroad but needs work immediately. Its new design for a naval support vessel, cheaper than those now available, would provide three years' work for one yard, if the Government placed an order.

Professor Smith to quit House of Fraser

By Martin Dickson

PROFESSOR Roland Smith is leaving House of Fraser, the stores group, after six years as chairman - most of them spent fighting off a takeover threat from Lorrho, the conglomerate. His departure comes 14 months after House of Fraser was acquired for £615m by the Egyptian Al-Fayed family.

Mr Ernest Sharp, House of Fraser's deputy chairman, is also leaving.

The chairmanship of the group - which includes Harrods, the Knightsbridge department store - will be taken over by Mr Ali Fayed, one of the three Al-Fayed brothers.

The family recently announced that Mr Brian Walsh, the head of Australia's Davy Jones stores group, would take over as chief executive of House of Fraser on July 1. Prof Smith is expected to leave in the next few weeks.

A representative of the Al-Fayed said yesterday there was no question of a rift between them and Prof Smith, who had done an excellent job in moving the group forward while fighting off Lorrho. He will remain a consultant to the family.

Prof Smith, 57, was quoted as saying that after six years in the job he wanted the opportunity to do something different. A professor of marketing at Manchester University, he is already chairman of Senior Engineering, Readcut International and Barrow Hepburn and holds several other directorships.

He was brought on to the House of Fraser board in 1980 to help to counter a threatened takeover bid from Lorrho, headed by Mr "Tiny" Rowland, which had built up a 29.9 per cent stake in the group. He successfully lobbied for a Monopolies Commission inquiry into a Lorrho bid.

Lorrho eventually sold its stake to the Al-Fayed, who last year made a successful bid for House of Fraser which was not referred to the Monopolies Commission. Lorrho could not launch a counter-bid because it was bound by undertakings not to do so given in 1982 at the time of the Monopolies Commission inquiry.

Employers press for Whitehall review of competition policy

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

THE CONFEDERATION of British Industry (CBI) will this week put pressure on the Government to press ahead with a wide-ranging review of UK competition policy and to clarify existing merger policy in the wake of the recent wave of large-scale mergers.

Such a review was promised by the Government earlier this year but has still not been formally announced. The delay has been caused partly by the pressure on the Department of Trade and Industry's time after the Westland and Land Rover affairs, as well as by Whitehall delays on the terms of reference for the review.

The CBI, however, has become concerned at these delays and at its council meeting on Thursday will call on Mr Paul Channon, the Trade and Industry Secretary, to start the review as quickly as possible.

Sir James Clesminson, CBI president, said yesterday: "CBI members are concerned about the interpretation of merger policy following the current outbreak of 'merger mania'."

He said: "Uncertainty about the application of restrictive practices policy, particularly in relation to collaborative ventures, has also increased the need for a review."

Sir James believes that one of the main tests of UK competition policy must be to encourage British companies to become more competitive in international markets. "Competition policy must also take account of the need for adequate protection for the consumer," he added.

"In view of the efforts to create a genuine 'internal' market within Europe, the review should look carefully at the scope for further integration of EEC and UK competition policies."

When details of the review are finally announced, it will be almost a decade since the Department of Trade embarked on a similar review. In 1977 the department appointed Mr Hans Leisner, an economic adviser, to head an internal review team to "consider the issues relating to a possible strengthening of competition policy." That review completed its work in 1978 and was followed by an investigation the following year into restrictive trade practice policy.

The most concrete result of those reviews was the 1980 Competition Act, which gave the Office of Fair Trading (OFT) extensive powers to

Swire Pacific Limited

Final dividends for the year ended 31st December 1985

Scrip Dividends

The average last dealt prices of the Company's shares on the Hong Kong stock exchange for the five trading days up to and including 16th May 1986 were:

'A' shares	HKS 13.20
'B' shares	2.19

In a letter to shareholders from the Chairman dated 5th May 1986, it was announced that the recommended final dividends for 1985 of 97.0¢ per 'A' share and 18.4¢ per 'B' share will take the form of scrip dividends to be satisfied by the issue of additional 'A' shares and additional 'B' shares respectively, but that shareholders will be able to elect to receive dividends in cash in respect of all or part of their shareholdings. It was further announced that entitlements to fractional shares will be disregarded and the benefit thereof will accrue to the Company.

Applying the average last dealt prices noted above, the number of new shares which shareholders will receive in respect of their existing shares on the record date of 25th April 1986, for which elections to receive cash are not deposited by 26th May 1986 either with the Registrars in Hong Kong or with the Registrars Agents in the United Kingdom, will be calculated as follows:

For 'A' shares:	Number of new 'A' shares to be received	=	Number of existing 'A' shares	x	0.970	=	13.20
For 'B' shares:	Number of new 'B' shares to be received	=	Number of existing 'B' shares	x	0.194	=	2.19

and will be rounded down to the nearest whole number of new shares, fractional entitlements being disregarded. The new shares will rank pari passu with the existing shares of the Company except that they will not rank for the final dividends in respect of the year ended 31st December 1985 or for the capitalisation issue which will be considered at the annual general meeting of the Company to be held on 28th May 1986.

Subject to the approval of the recommended final dividends by the shareholders at the annual general meeting of the Company, certificates for the new 'A' shares and 'B' shares in respect of the scrip dividends, and warrants for dividends, where cash elections have been made, will be despatched to shareholders on 2nd June 1986.

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Secretaries

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The Swire Group
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Labour in bid to expel Militants

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT

THE LABOUR PARTY will this week resume its bid to expel 12 supporters of the Trotskyite Militant Tendency. The last attempt collapsed in chaos when left-wingers walked out of disciplinary hearings being held by Labour's National Executive Committee.

Labour leaders, keen to see the end of a long-running source of embarrassment to the party, are confident that the latest hearings cannot again be scuppered by any left-wing procedural tactics and that they will end with the expulsion of the Militants.

Support for the strong stand being taken against the Militants by Mr Neil Kinnock, Labour leader, and other shadow cabinet colleagues came at the weekend from the Welsh Labour Party, meeting in Swansea.

Delegates demanded the expulsion of all Militant activists from the party and rejected resolutions condemning "witch hunts" against them.

Mr Kinnock, who again labelled the Militant supporters as "parasites on the party," has pushed through a rule change which should allow this Wednesday's meeting to proceed without further trouble.

In March, the NEC was forced to halt proceedings when seven left-wingers abandoned the meeting which had been called to hear charges against the Liverpool Militant supporters.

Eight other members had already been disqualified by the High Court from attending the inquiry because they had conducted the original investigation into the charges against Militant. Without a quorum, the NEC was forced to halt the hearings.

Alliance may face split on defence

BY OUR POLITICAL CORRESPONDENT

THE PROSPECT of a potential split within the Social Democratic-Liberal Alliance over Britain's future nuclear defence policy emerged at the weekend.

Dr David Owen, the SDP leader, told the Council for Social Democracy, his party's ruling body, that he remained committed to maintaining a British nuclear deterrent and

to finding an eventual replacement for the UK's Polaris missiles, unless the two superpowers implemented a massive reduction in nuclear warheads.

But leading Liberals were suggesting at the weekend that Dr Owen's position would shortly be undermined by a joint report on Alliance defence policy commissioned last year by Dr Owen and by Mr David Steel, the Liberal leader, and due to be delivered in a few weeks' time.

They believe the Alliance report will suggest that Polaris should not be replaced when it comes to the end of its useful life, a conclusion which would be in direct contrast to SDP policy.

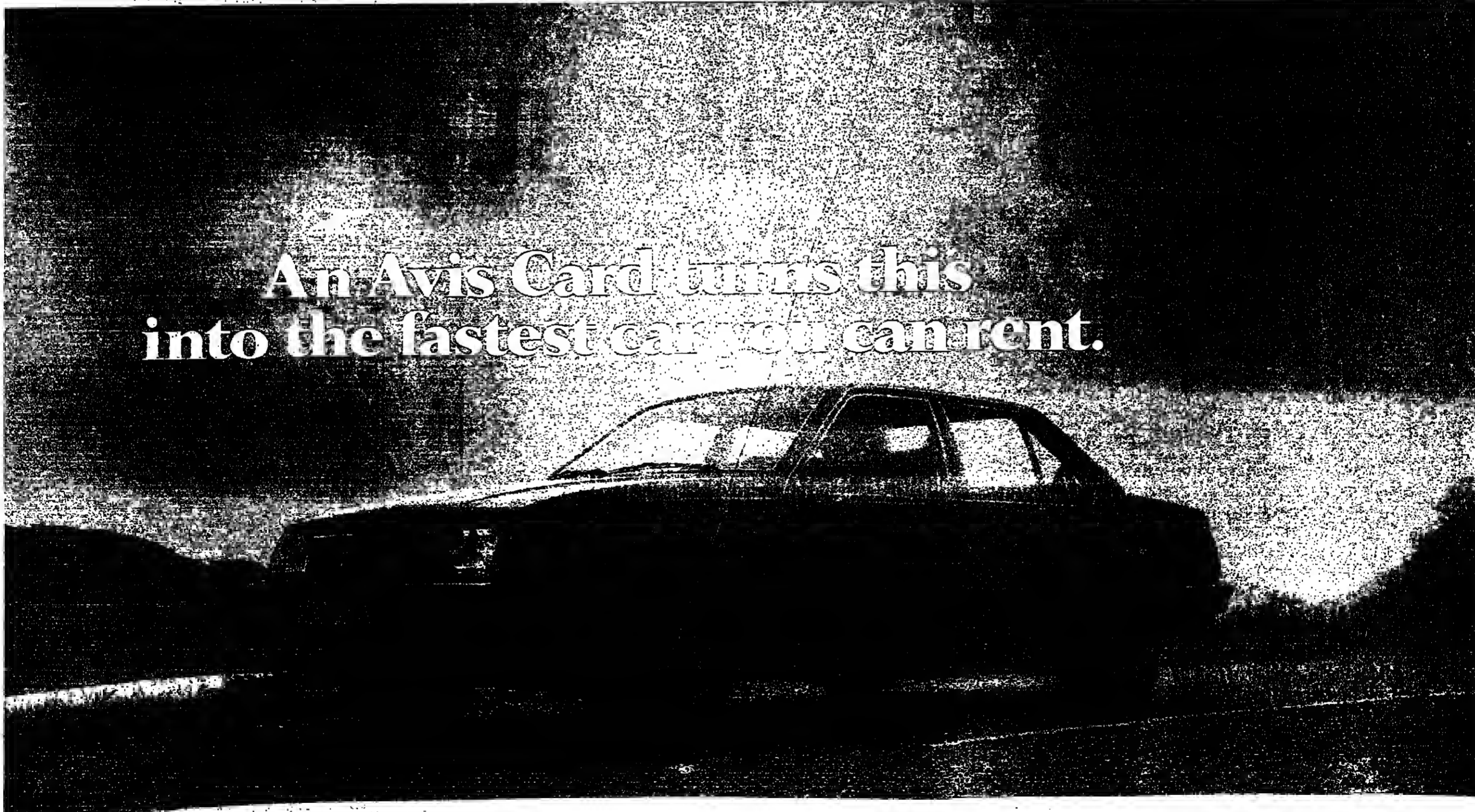
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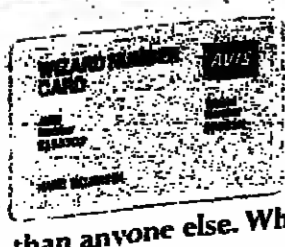
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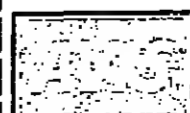


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UK NEWS

Britain's sea-sharers

Most UK fishermen do not earn wages; instead they receive a share of the boat's earnings. Robert Oakshott reports

SINCE the dramatic days of the cod wars, and the subsequent exclusion of British fishing waters around Iceland and the Faroes, Britain's fishermen have attracted little attention. But now the old large trawlers, with their mainly wage labour crews, have largely disappeared, almost all remaining 15,000 fishermen are, in the new jargon, "revenue sharers" rather than wage earners.

If Mr Nigel Lawson, the Chancellor, is seriously considering tax concessions for profit sharing, then the experience of our fishermen deserves more attention.

There is nothing new about revenue sharing, or in the phrase popularised by Professor Martin Weitzman of the Massachusetts Institute of Technology, the "share economy" system of remuneration. North of the borders it has been the established custom for as long as anyone can remember. But it was partly obscured, until the disappearance of the long-distance trawler fleets, by their conventional wage labour arrangements. Indeed, many of us have only recently come to understand the concept and how it works.

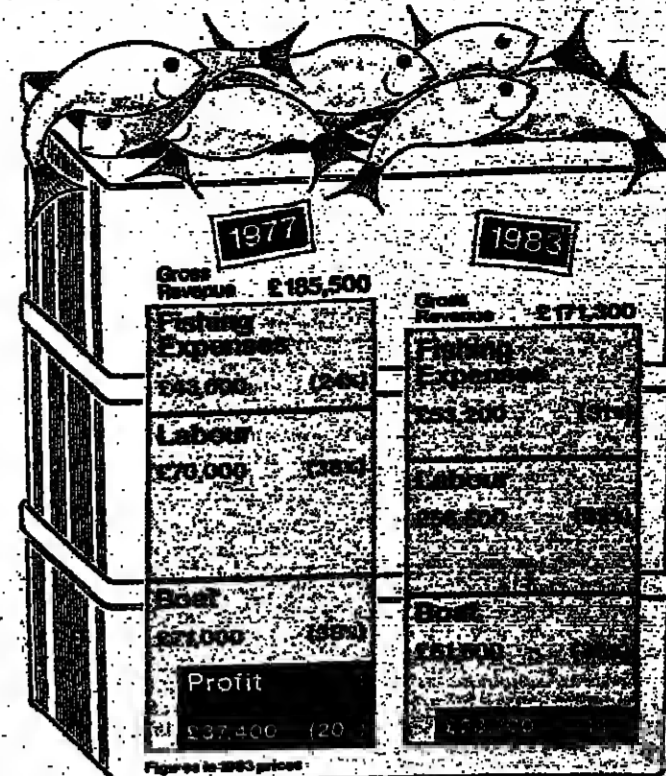
Under the share system, workers do not receive a fixed

face of it Professor Weitzman's predictions about the system's employment consequences during a recession are vindicated. And that is true, even if it is acknowledged that the 1977 figures were, for various special reasons, an all-time high.

However, it is not possible to test Professor Weitzman's predictions for the effect on employment during economic expansion — partly because recent statistics cover mainly downsizing and partly because of factors special to the Scottish fishing fleet. On the other hand it is possible, from the evidence of the last few months, to correct an impression otherwise conveyed by the table. The fishermen who work for revenue shares are not, as the table might suggest, accepting a system where the risks are all to their disadvantage. For example at the moment they are benefiting considerably — perhaps by as much as 10 per cent of their earnings — from the oil price collapse.

To understand how this is happening we need to be clearer about the workings of the system and about how the figures in the table are calculated.

In fact two kinds of share system are operated in the UK inshore fishing fleet. On English and Welsh boats the share of each fisherman is normally a percentage of gross revenues. For example, J. Marr and Sons, one of the few remaining corporate owners of English fish-



ing boats, operates a "gross" system on its five largest fishing vessels. For a standard crew of 11 or 12, shares per £100 of gross revenue range from £5.60 for the skipper to £1.50 for the cook and a team of six deckhands. In between, the mate will receive £3.50 and the chief engineer and the bosun each £2.20. If there is a trainee deckhand (perhaps on a X-course) this is covered by an extra share of 0.75 per £100. The workforce's overall share of gross revenue will thus amount to rather less than 25 per cent.

The second type of revenue sharing, based on net revenue shares, is now almost universal in Scotland's inshore fishing fleet and is increasingly common in England and Wales. In theory, its workings are simple: what are conventionally accepted as "fishing expenses"

If the Chancellor is serious about profit-sharing, then the experience of our fishermen deserves more attention

are first deducted from gross sales revenue to arrive at a net figure. This sum is next split into two equal parts. The first, an aggregate "labour share," is divided equally among the crew regardless of rank. The second goes to cover the expenses of the boat, or sometimes in theory to both the boat and the nets. After this, any profit remaining belongs to those partners who have shares in the vessel. In Scotland's inshore fishing fleet these last always include the skipper, almost always the mate and often other crew members as well. Members of the crew who are also partners will thus receive a double share-out, first as workers, secondly as partners sharing any profits.

The tables show the operation of this net revenue sharing system between 1977 and 1983. As well as the fall in the value of labour's share between 1977 and 1983 the tables highlight two further points. First, net revenue is not always split exactly 50:50 between the labour share and the gross boat share. There is some degree of flexibility about this division and in the most modern vessels expensive equipment may necessitate a share of over 50 per cent for the boat. Second, "profits" fell proportionately far more than labour's share between 1977 and 1983. Given that these are trading and not pre-tax figures and that it is only via his share in those profits that the skipper can take home more than a deckhand, it follows that skippers' earnings — and others such as mates who were also partners in the boat — fell most sharply during the recession.

The tables show how the fishing revenue of an average Scottish inshore boat was divided between expenses and the labour share.

Against this background of relative sacrifice which has in effect enabled the Scottish inshore fleet to weather the recession, it is agreeable to note that the entire workforce will benefit from the fall in the oil price. Fuel is the largest single expense in fishing and until the last few months accounted for 20 per cent or more of fishing expenses. In late March J. Marr and Sons was paying £100 a ton for diesel oil which cost £200 a year earlier. The price fall will benefit Scottish inshore fishermen because their share system is based on net rather than gross revenues.

J. Marr and Sons is unusual as the only corporate owner of a small number of large vessels working out of English ports and operating a gross revenue sharing system. Its subsidiary Peter and S. Johnston of Aberdeen has a minority share in 28 smaller Scottish boats and acts as agent for a further 12 all of which use the net revenue sharing system.

According to Mr Charles Middleton, Peter and S. Johnston's managing director, the latter system, provided that the skipper is a substantial partner in the boat, produces the best operating results. It can also, he adds, be more than acceptably profitable to outside corporate partners with minority shares.

What about the views of the deck hands? The steep fall in earnings between 1977 and

This background of relative sacrifice has in effect enabled the Scottish fishing fleet to weather the recession

1981 produced some muttering against the system. That is scarcely a surprise, especially as a deckhand may return from a particular trip out of pocket although his share over the year remained positive even during the worst of the recession. On the other hand there is a suggestion, both in Hull and Aberdeen, that some fishermen see the positive as well as the negative aspects of fluctuating earnings. Some see the excitement as a positive attraction. If the Chancellor decides to grant favoured tax treatment to revenue sharers, he can only hope the numbers who will be attracted by "a bit of a gamble."

Robert Oakshott is executive director of Job Ownership Ltd. The work on which this article is based was financed by Partnership Research Ltd, an independent charity.

This week in Parliament

TODAY
 Commons: Remaining stages of the Social Security Bill.
 Lords: Ullapool Harbour Order Confirmation Bill, Third Reading. Armed Forces Bill, Committee. Gas Bill, Committee. Tissue and Bandage Bill, Second Reading. British Shipbuilders (Renewing Powers) Bill, Second Reading.
 Select Committee: Home Affairs: Sub-committee: Additions and Immigration—Subject: Racial attacks. Witnesses: Metropolitan Police, Association of Police Officers. (Room 6, 4.15 pm). Public Accounts—Subject: Preventative medicine; General Central Services. Witness: Sir Kenneth Stone. OHSS (Room 16, 4.45 pm). Treasury and Civil Service—Subject: Long term trends in resource and public spending. Witnesses: Treasury officials. (Room 15, 4.45 pm).
 Tomorrow:
 Commons: Remains of the Social Security Bill. Debate to approve the first part of the Privileges Committee 1985-8 on The Times/Richard Evans case.
 Lords: Ombudsman Rates (Glasgow Pension) Bill, Committee. Education Bill, Report. Hottelium Produce Bill, Second Reading.
 Select Committee: Education, Science and Arts—Subject: Prison Education. Witnesses: NATFHE, HM Inspectors of Schools. (Room 8, 10.40 am). Standing Orders—Subject: Channel Tunnel Bill (Room 15, 11 am). Parliamentary Commissioner for Administration—Subject: Reports of the Commissioner. Witnesses: Mr C. France, Mr B. Taylor and Mr M. Whittman. OHSS (Room 6, 4.30 pm). Defence—Subject: Statement on defence estimates 1986. Witnesses: To be announced. (Room 16, 4.50 pm). Committee on the London Docklands Railway (City Extension) (Room 8, 11 am).
WEDNESDAY
 Commons: Bill 7 am. Second Reading of the Legal Aid (Scotland) Bill followed by a debate on a motion asking that the situation in the shipbuilding industry. Motion related to the Town and Country Planning (Lords) Special Development Order. (Lords: Debate on the case for large scale investment in the water industry. Housing (Multiple Occupation) Bill, Committee. Surrogacy Arrangements (Amendment) Bill, Report. Unsettled questions on the Committee on the Commission to secure and ease for and bid and Select Committee: Foreign Affairs—Subject: UK relations with South East Asian countries. Witnesses: Office of the British High Commissioner, OTI officials. (Room 15, 10.30 am). Trade and Industry—Subject: BM annual monitoring. Witness: Mr Graham Day, BL chairman, and officials. (Room 17, 10.45 am). Defence—Subject: Statement on defence estimates 1986. Witness: To be announced. (Room 16, 10.50 am). Energy—Subject: Coal industry. Witnesses: Professor Tweedie and Professor Cooper. (Room 8, 11 am).
 Employment—Subject: Discrimination in employment. Witness: Mr Michael Heseltine. (Room 8, 4.15 pm). Home Affairs—Subject: Domestic growth of colour peoples. Witness: Mr David Mellor. Home Office Under Secretary. (Room 19, 4.15 pm). Public Accounts—Subject: Shipbuilding Grants. Witnesses: Sir Brian Hastings-Duff. (Room 16, 4.15 pm). Defence—Subject: Statement on the defence estimates. Witness: To be announced. (Room 5, 4.50 pm). Foreign Affairs—Subject: Administration and supply estimates. Witness: Foreign Office. (Room 12, 5 pm). Committee on a private bill—London Docklands Railway (City Extension) (Room 8, 10.30 am). Unopposed bills—Aberystwyth Harbour; Harrogate Borough Council. (Room 9, 4 am).
THURSDAY
 Commons: Sea Occupation Bill, Second Reading.
 Lords: Public Trustee and Administration of Funds Bill, Committee. Airports Bill, Committee. Housing (Scotland) Bill, Committee. Housing (Scotland) Bill, Third Reading. Drug Trafficking Offences Bill, Third Reading.
 Select Committee: Committee on a private bill—London Docklands Railway (City Extension) (Room 8, 10.30 am).
FRIDAY
 Commons: Debate on the motion for the adjournment.

Saying no to radioactive waste doesn't make it go away.

Low-level radioactive waste is the by-product of the invaluable services provided by the use of radioactivity in electric power generation, industry, scientific research and medicine. (It includes medical syringes and doctors' gloves, paper towels from the nuclear industry and worn-out industrial instruments).

So, it follows that the nation needs a means of safely disposing of this waste.

In recognition of this fact, Parliament will shortly decide whether it should authorise a Special Development Order for the investigation of four possible disposal sites. Eventually one may be chosen for development. Which is where UK Nirex Ltd comes in.



United Kingdom Nirex Limited

Nuclear Industry Radioactive Waste Executive.

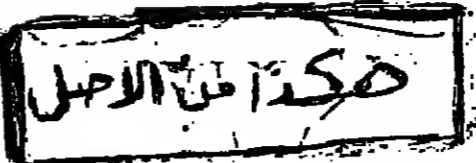
It is our job to implement the Government's strategy for the safe and efficient disposal of this low-level waste. It is our wish to provide anyone who asks with information about our proposals.

Of course, we haven't the space here to tell you all about low-level radioactivity. Or why intermediate and high-level waste is managed separately.

But if you'd like to know, please write for our Fact File to Peter Curd, at UK Nirex Ltd, Information Office, Curie Avenue, Harwell, Didcot, Oxon OX11 0RH.

We can give you the reasons why saying no to low-level radioactive waste is no solution.

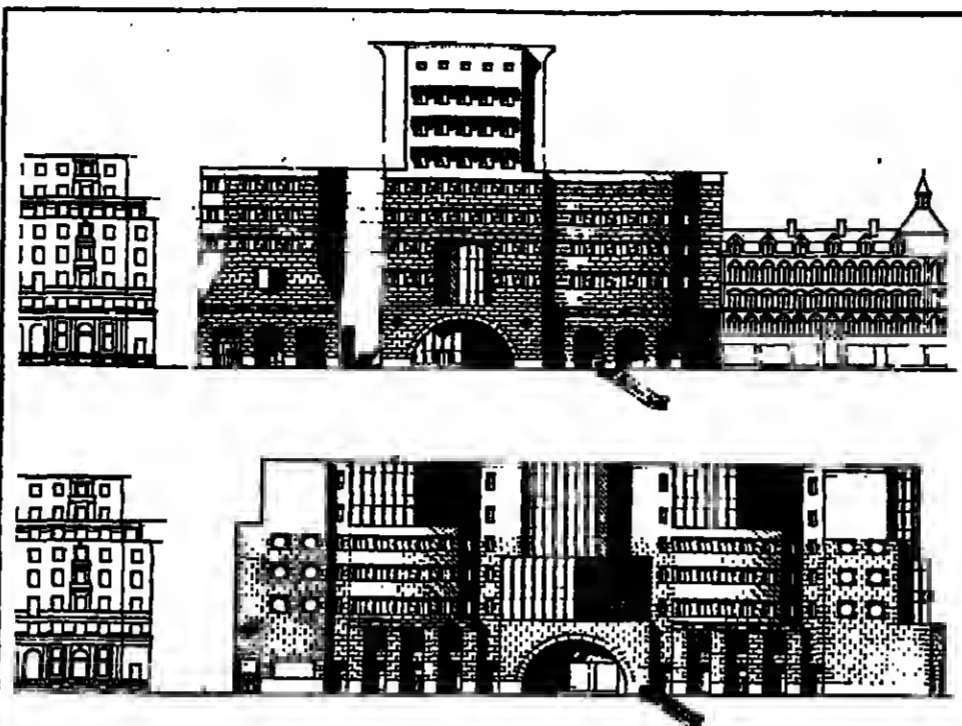
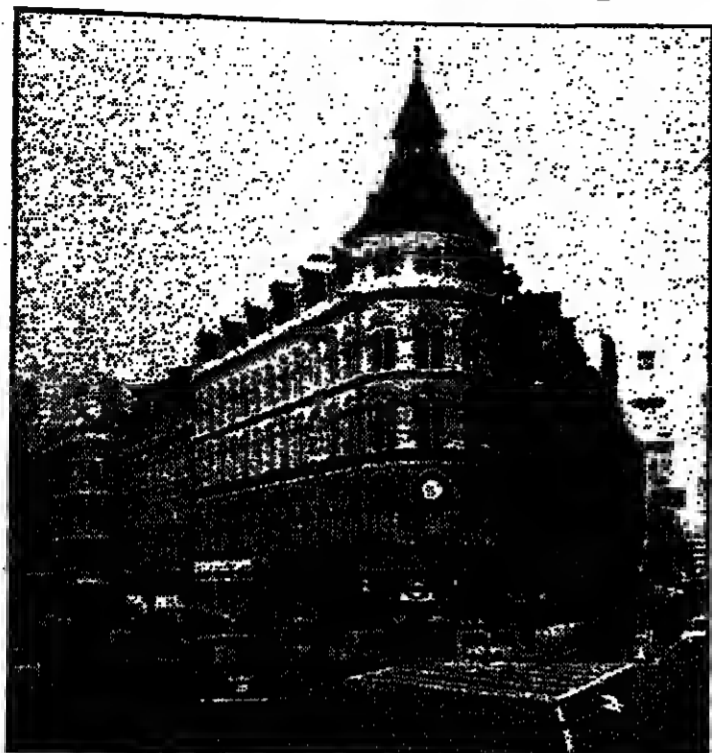
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THE ARTS

Architecture/Colin Amery

Civilised changes for Mansion House Square



The existing Mappin and Webb premises and the two versions of James Stirling's scheme for the Mansion House Square site

The City of London has the rare opportunity to acquire an important and intriguing work of architecture by James Stirling...

had the confidence to choose an architect who has a difficult reputation but is undoubtedly the most original designer working in Britain.

precisely known as A and B. Scheme A retains the Mappin and Webb building—a familiar and loved triangular building with a turret and conical tower roof.

Portland stone up to the tower level and on the tower itself the stone is smooth.

Both schemes are distinguished and mature works by James Stirling. They are rich in references to the immediate surroundings, they have the strength and duality of the neighbouring Hawksmoor church of St Mary Woolnoth.

Carmen/Covent Garden

Richard Fairman

Over the years this Carmen has lost much of its local colour. Neither the music nor the women wearing their washing go about their work in Sevilla, and the brawl of the cigarette girls has become a pretty tana affair.

Baltza has a fondness for the chest register (a rasping, in-solent sound) that brings some ungainly, ill-timed moments.

Real Dreams/The Pit

Michael Coveney

It is down to the Barbican bowels and back to the Sixties in this substitution in the Royal Shakespeare Company small house repertoire.

that "smashing the liberal under the skin takes time." As in The Party, Griffiths sets up a dialectical debate within the enclosed group on the nature of revolutionary action.

Cannes Film Festival/Nigel Andrews

Box-office opportunism threatens Mission's success

What ever has happened to Cannes this year? After two years of rainwater austerity when good weather and good parties seemed equally scarce...

like the drip of water on human souls. But if the threat to the mission comes from State and ecclesiastical tyranny across the Atlantic, the threat to The Mission comes from box-office opportunism on both sides of the ocean.

are in Crete, Barietta and Cinzia Studios for a magnificent clean-eyed and clean-lunged movie. Placido Domingo, Katia Ricciarelli and other Renaissance-clad warblers are steered through the monumental masonry, Lorin Maazel's energetic conducts, and Zeffirelli directs at such a vivid pace that one forgives him the occasional lack of subtlety and more than occasional cut (no Willow Song, no act 3 ensemble).

One). But instead it is clunking, noisy and interminable, like being walked over for two hours by a pair of vomit-stained hover boots.

Meanwhile there is my nomination for the coveted Plastic Palm Award, given each year to the film you would least like to take to a desert island. This must be fought over between Andre Techina's uproariously ludicrous thriller Le Lieu Du Crime (runaway convict, philo-sophising grandmas, teenagers in crisis, plot-catalysing thunderstorms), Mohammed Lakhdar Hamina's The Last Inmate from Algeria (runaway teachers, camels in crisis, plot-catalysing bearwags) and Hiralal Sen's Gawsas from India. But no, I shall not be unfair to this last.

The Spanish Lady/St John's, Smith Square

Richard Fairman

There were always people pressing Elgar to write an opera. When he did finally start one, it was not the setting of some King Arthur legend that many had hoped would find an English tradition in music drama like that of Wagner, but the beating of personal choice of a Ben Jonson play—and that was at the very end of his life.

Kingdom and the flamboyant Spanish sarabande was drafted as early as the 1870s.



Vincent Ebrahim

Saleroom/Antony Thorncroft

Newbury in the news

Around 1770 Sir Robert Burdett commissioned Thomas Chippendale to supply furniture for his new house at Foremark in Derbyshire. He paid £1,288 for the items. Next Wednesday Dreweatt's of Newbury is selling off the furniture of the last of the line, Sir Francis, who died in 1951.

Both Phillips and Christie's are taking advantage of the hundreds of chess enthusiasts who will be in London this week for the International Chess Collectors' Conference. Tomorrow Phillips is offering 80 chess sets ranging over three centuries. The most expensive is a rare amber set probably made in Germany around 1700.

Arts Guide

Music

- PARIS: Nouvel Orchestre Philharmonique de Radio France and the Radio France choir conducted by Marek Janowski. Sunday, 8pm, Salle Gaveau (4568 2030).

- LONDON: London Soloists Chamber Orchestra conducted by David Josefowitz with Mayumi Fujikawa, violin. Mozart, Queen Elizabeth Hall (Mon), (923 3181).

- TOKYO: Homero Franzosa (piano): Bartok, Ravel, Brahms. Tokyo Suzuki Kai-kan Recital Hall. (Tue), (237 9999; 980 6060).

"What's special about these Danish companies?"

ABN Bank Copenhagen Branch, Assurance-Societate, Barclays Finans AS, Berlingske Tidende, Biluben, Boliken, Buch-Dekmann, Danish Steel Works Ltd., Danish Telecom International AS, Danish Turkeys Dairies Ltd., Dannebrog Shipyard Ltd., AS De Danske Sukkerfabrikker, Doms AS, Dumcøll-Danmon ApS, East Asiatic Co. Ltd. (AS Det Østasiatiske Kompagni), AS Elizabeth Aiden, Ess-Food, F. I. Smith & Co. AS, Forlaget Management AS, Fristo Sol is AS, Ginge Brand & Elektronik AS, Grøntop Danmark AS, Grundfos International AS, Haldor Topsøe AS, Hellerup Bank AS, Henriques Bank Aktieselskab, Kreditforeningen Danmark AS, Kommunedata, Midbank AS, Niro Atomizer, Norsk Hydro Danmark a.s., Nyloed, Price Waterhouse, Privatbanken AS, Revisionsselskabet C. Jespersen, Skandinavisk Ibsenkompani, Saksstatistik for Livsomsorg, The Jutland Technological Institute, Aktieselskabet Verde Bank.

They are all regular readers of the FINANCIAL TIMES • European Edition

For further information about subscription rates in Scandinavia, please contact K. Mikael Heiniö in Copenhagen:

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LONDON STOCK EXCHANGE REFORM

Draft dealing rules stir up controversy

BY BARRY RILEY

LONDON stock exchange market makers are arguing over new dealing and disclosure requirements set out in the draft rules covering the new system of trading following next October's Big Bang changes in the markets structure.

Particular controversy surrounds Rule 360.3, which refers to the requirement for market makers to deal with all other member firms, including those making markets in the same security, in any size of bargain that they advertise through the Seag electronic quotations system.

Some market makers are also unhappy about another rule which lays down that trades in top grade

or "alpha" equities must be reported within five minutes, upon which price, size and time will be made public through Seag.

The Markets Committee which drafted the rules was apparently split over Rule 360.3. A minority faction considered that if a market maker were to display a price quote on the Seag system in a size greater than the minimum (likely to be 1,000 shares) it should only be required to deal with firms that were clearly handling agency business for outside clients, and not with firms which also made markets in the same stock.

The reasoning is that market makers may be inhibited from quot-

ing in large size on the screens if they can be exploited by other market makers. Large size quotes, in several thousand shares, are considered to be desirable to improve the quality of the market.

But the counter argument is that drawing a distinction between agency brokers and market makers in this way - when the whole purpose of the new structure is to allow firms to act in both capacities - would make it impossible for firms to follow the "best execution" rule.

This is because firms with market-making arms which sought to execute a large agency transaction would not be able to get a quote or than the minimum size of

bargain from other market makers. It is feared that if the amendment is made, dual capacity firms may be able to do agency business only in stocks in which they do not make a market. This could severely restrict the number of market makers.

The reporting deadline of 5 minutes for trades in equities is controversial for alpha stocks (of which there are expected to be 50 initially) where details will be published through Seag immediately on reporting.

Some market makers are arguing for a longer buffer period so that a major position can be closed from the books before the market becomes aware of the deal.

MALAYSIAN INDUSTRY

Wong Sulong on a former high flyer's fight to survive

Promet faces a bleak future

THE 34-storey, hexagonal Promet Towers is a proud landmark in Kuala Lumpur's hotel and commercial district. But behind the darkly-tinted glass, Promet's directors are struggling to work out a survival plan for the Malaysia-Singapore nil-rise and construction group, whose bold ventures caught the imagination of local and foreign investors alike in the early 1980s.

Yet these ambitious ventures have brought the group into its current troubles. It has debts of 320m ringgit (US\$122m) to two dozen banks, compared with shareholders' funds of 297m ringgit.

Promet is seeking a rescheduling of the loans, after reporting an after tax loss of 79m

facing difficulties, but not a crisis. He hopes to reduce the debts by 60 to 70 per cent within 18 months.

This would be done mainly through the sale of assets. The problem is that the group's most valuable assets are property holdings in Malaysia. This is an unfavourable time to sell because the property market is depressed, and potential buyers are waiting on the sidelines, hoping Promet will be squeezed further to sell out cheaper.

Promet's main assets include 600 acres of freehold building land outside Kuala Lumpur, a 49 per cent stake in a Kuala Lumpur twin-tower office block, called Bukit Naga, developed in partnership with the Malaysia-Singapore nil-rise construction fund; office complexes in east Malaysia; and 1,000 acres of leasehold land on Langkawi Island. It owns only four of the 34 floors of Promet Towers.



The rift between Brian Chang, Promet's director, and Tan Sri Ibrahim Mohamed Yusoff.

The decline of Promet has been dramatic since its rise had been spectacular. Formerly the loss-making Bovis South-east Asia, it was taken over by Mr. Chang and his former partner, Tan Sri Ibrahim Mohamed Yusoff. It was renamed Promet (for Progressive Methods). Mr. Chang, a Singaporean engineer, was then operating a highly successful oil rig building business in the island state, which he injected into the new company.

By the end of 1983 Promet was the 14th largest company on the Kuala Lumpur Stock Exchange, with a market capitalisation exceeding 1bn ringgit. Today its shares are selling at 30 cents - less than a third of its par value - giving it a market capitalisation of 100m ringgit.

Bankers are at pains to stress that Promet's problems are quite different from those of the collapsed Pan-Electric Industries, the Singapore marine salvage, property and hotel concern. Several of Pan-Electric directors and major shareholders have been charged with fraud and share manipulation.

Promet's problems are, however, similar to those of United Motor Works: the heavy equipment and distributor, which had to reschedule its 150m ringgit debts last February. Like UMW, Promet is involved in activities which are worst hit by the recession in south-east Asia, particularly in Malaysia and Singapore.

In retrospect, several major

ringgit for 1985, compared with a net profit of 23m ringgit the previous year.

Among its main lenders are Morgan Guaranty, Manufacturers Hanover Trust, Standard and Chartered and Hongkong and Shanghai Bank.

Promet has assured the banks they should not panic as the situation is manageable, but understandably, one or two of them are said to be "rather fidgety", particularly when only 10 per cent of the bank loans are secured against the group's assets.

Most of the loans are taken overseas in US and Singapore dollars, which have appreciated against the ringgit.

Mr. Brian Chang, Promet's beleaguered 42-year-old managing director and main shareholder says the company is

investment decisions were ill-advised. In 1983 Promet decided to go into oil exploration, taking up minority stakes in ventures in China, Malaysia and Indonesia. The 1983 accounts made a write-off provision of 46.6m ringgit for these ventures, and further provisions are likely for the current year.

The group also went heavily into property development, including taking over the ambitious project to develop Langkawi Island into a major tourist centre. By that time the property market was already turning soft.

Mr. Chang defended the Langkawi project as being good in concept, and said it would have been implemented smoothly had it not been for cash-flow problems arising from Promet's other activities.

Now only a skeleton staff is being retained on Langkawi. Mr. Chang said Promet was "in serious negotiations" with three potential buyers for the five hotels on the island. Work on the hotels stopped after piling was completed.

The Malaysian Government had spent 120m ringgit on building an airport and providing water supply and other infrastructure on Langkawi as its contribution.

The rift between Mr. Chang and Tan Sri Ibrahim was established. Promet's group had prevented the group from tackling its financial and management problems, which led to its collapse.

Tan Sri Ibrahim is said to be connected with the United Malay National Organisation in Malaysia and his departure as Promet's executive chairman last February (the still runs about 10 per cent of Promet's equity) means that Mr. Chang must now find another Malaysian partner.

In Malaysia, business and politics are inextricably linked and it is essential to have an influential Malay partner to deal with the plethora of agreements, regulations and official matters.

In the eyes of many Malaysian officials, Promet is a foreign-controlled company, and it might lose its previously favoured treatment.

The future looks decidedly bleak for Promet. Its gamble to ride with the oil boom has failed. The group's best bet now is in construction and engineering, where it has a good track record. But those two sectors are also facing a slowdown.

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Notice of Redemption

To the Holders of Ashland Oil Finance N.V.

8% Guaranteed Debentures due 1987
(now Ashland Oil, Inc. 8% Debentures due 1987)

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Indenture Dated as of June 15, 1972, under which the Debentures are issued, \$3,295,000 aggregate principal amount of such Debentures of the following distinctive numbers has been selected for redemption on June 15, 1986, through the operation of the Sinking Fund, at the redemption price equal to the principal amount thereof together with accrued interest thereon to the date fixed for redemption:

41,000 Senior Debentures numbered:

3642	1728	12329	15748	16250	16637	16923	17298	18099	20008	20510	20618	21192	22861	24240	24549
48	1730	12330	15749	16251	16638	16924	17299	18100	20009	20511	20619	21193	22862	24241	24550
49	1732	12331	15750	16252	16639	16925	17300	18101	20010	20512	20620	21194	22863	24242	24551
45	1734	12332	15751	16253	16640	16926	17301	18102	20011	20513	20621	21195	22864	24243	24552
47	1736	12333	15752	16254	16641	16927	17302	18103	20012	20514	20622	21196	22865	24244	24553
61	1738	12334	15753	16255	16642	16928	17303	18104	20013	20515	20623	21197	22866	24245	24554
36	1740	12335	15754	16256	16643	16929	17304	18105	20014	20516	20624	21198	22867	24246	24555
35	1742	12336	15755	16257	16644	16930	17305	18106	20015	20517	20625	21199	22868	24247	24556
306	1744	12337	15756	16258	16645	16931	17306	18107	20016	20518	20626	21200	22869	24248	24557
107	1746	12338	15757	16259	16646	16932	17307	18108	20017	20519	20627	21201	22870	24249	24558
110	1748	12339	15758	16260	16647	16933	17308	18109	20018	20520	20628	21202	22871	24250	24559
113	1750	12340	15759	16261	16648	16934	17309	18110	20019	20521	20629	21203	22872	24251	24560
114	1752	12341	15760	16262	16649	16935	17310	18111	20020	20522	20630	21204	22873	24252	24561
218	1754	12342	15761	16263	16650	16936	17311	18112	20021	20523	20631	21205	22874	24253	24562
129	1756	12343	15762	16264	16651	16937	17312	18113	20022	20524	20632	21206	22875	24254	24563
130	1758	12344	15763	16265	16652	16938	17313	18114	20023	20525	20633	21207	22876	24255	24564
131	1760	12345	15764	16266	16653	16939	17314	18115	20024	20526	20634	21208	22877	24256	24565
301	1762	12346	15765	16267	16654	16940	17315	18116	20025	20527	20635	21209	22878	24257	24566
303	1764	12347	15766	16268	16655	16941	17316	18117	20026	20528	20636	21210	22879	24258	24567
305	1766	12348	15767	16269	16656	16942	17317	18118	20027	20529	20637	21211	22880	24259	24568
205	1768	12349	15768	16270	16657	16943	17318	18119	20028	20530	20638	21212	22881	24260	24569
209	1770	12350	15769	16271	16658	16944	17319	18120	20029	20531	20639	21213	22882	24261	24570
211	1772	12351	15770	16272	16659	16945	17320	18121	20030	20532	20640	21214	22883	24262	24571
212	1774	12352	15771	16273	16660	16946	17321	18122	20031	20533	20641	21215	22884	24263	24572
214	1776	12353	15772	16274	16661	16947	17322	18123	20032	20534	20642	21216	22885	24264	24573
215	1778	12354	15773	16275	16662	16948	17323	18124	20033	20535	20643	21217	22886	24265	24574
216	1780	12355	15774	16276	16663	16949	17324	18125	20034	20536	20644	21218	22887	24266	24575
217	1782	12356	15775	16277	16664	16950	17325	18126	20035	20537	20645	21219	22888	24267	24576
218	1784	12357	15776	16278	16665	16951	17326	18127	20036	20538	20646	21220	22889	24268	24577
219	1786	12358	15777	16279	16666	16952	17327	18128	20037	20539	20647	21221	22890	24269	24578
220	1788	12359	15778	16280	16667	16953	17328	18129	20038	20540	20648	21222	22891	24270	24579
221	1790	12360	15779	16281	16668	16954	17329	18130	20039	20541	20649	21223	22892	24271	24580
222	1792	12361	15780	16282	16669	16955	17330	18131	20040	20542	20650	21224	22893	24272	24581
223	1794	12362	15781	16283	16670	16956	17331	18132	20041	20543	20651	21225	22894	24273	24582
224	1796	12363	15782	16284	16671	16957	17332	18133	20042	20544	20652	21226	22895	24274	24583
225	1798	12364	15783	16285	16672	16958	17333	18134	20043	20545	20653	21227	22896	24275	24584
226	1800	12365	15784	16286	16673	16959	17334	18135	20044	20546	20654	21228	22897	24276	24585
227	1802	12366	15785	16287	16674	16960	17335	18136	20045	20547	20655	21229	22898	24277	24586
228	1804	12367	15786	16288	16675	16961	17336	18137	20046	20548	20656	21230	22899	24278	24587
229	1806	12368	15787	16289	16676	16962	17337	18138	20047	20549	20657	21231	22900	24279	24588
230	1808	12369	15788	16290	16677	16963	17338	18139	20048	20550	20658	21232	22901	24280	24589
231	1810	12370	15789	16291	16678	16964	17339	18140	20049	20551	20659	21233	22902	24281	24590
232	1812	12371	15790	16292	16679	16965	17340	18141	20050	20552	20660	21234	22903	24282	24591
233	1814	12372	15791	16293	16680	16966	17341	18142	20051	20553	20661	21235	22904	24283	24592
234	1816	12373	15792	16294	16681	16967	17342	18143	20052	20554	20662	21236	22905	24284	24593
235	1818	12374	15793	16295	16682	16968	17343	18144	20053	20555	20663	21237	22906	24285	24594
236	1820	12375	15794	16296	16683	16969	17344	18145	20054	20556	20664	21238	22907	24286	24595
237	1822	12376	15795	16297	16684	16970	17345	18146	20055	20557	20665	21239	22908	24287	24596
238	1824	12377	15796	16298	16685	16971	17346	18147	20056	20558	20666	21240	22909	24288	24597
239	1826	12378	15797	16299	16686	16972	17347	18148	20057	20559	20667	21241	22910	24289	24598
240	1828	12379	15798	16300	16687	16973	17348	18149	20058	20560	20668	21242	22911	24290	24599
241	1830	12380	15799	16301	16688	16974	17349	18150	20059	20561	20669	21243	22912	24291	24600
242	1832	12381	15800	16302	16689	16975	17350	18151	20060	20562	20670	21244	22913	24292	24601
243	1834	12382	15801	16303	16690	16976	17351	18152	20061	20563	20671	21245	22914	24293	24602
244	1836	12383	15802	16304	16691	16977	17352	18153	20062	20564	20672	21246	22915	24294	24603
245	1838	12384	15803	16305	16692	16978	17353	18154	20063	20565	20673				

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FINANCIAL TIMES SURVEY

Monday May 19 1986

Adhesives and Sealants

Although sales of adhesives and sealants are not in the big league there is hardly a sector of industry that does not make use of these increasingly sophisticated products

Big demand for research

THE TRUE WAY to appreciate the significance of modern adhesives and sealants is to contemplate the value of the finished products in which their use is vital.

According to detailed studies undertaken by IAL, marketing and management consultants specialising in the chemical and allied process industries, total consumption of adhesives alone in Britain, France and West Germany in 1984 was 650,000 tons. Total annual sales of the adhesives and sealants produced by the 120 or so manufacturers in Britain in 1984 was \$385m.

That is hardly in the big league but is certainly not insignificant. So when Dr Peter Bosworth, secretary of the industry's sole voice, the British Adhesives and Sealants Association, says that the products which depend upon sealants and adhesives are worth perhaps 100 times as much, he knows the claim is not statistically precise, but it is undoubtedly of the right order.

"Every home and every car, every office block and every vehicle depends on sealants," he points out. And that is only a sixth of the market; the total value of adhesives sales is five times more.

Sophistication has come to this industry. Glues have been reborn as adhesives and mastics have graduated as sealants. The technical problems of clients as varied as carton manufacturers and dentists, carpet manufacturers and water boards, together with the development of new raw materials, have transformed the industry's profile.

Adhesives and sealants are essentially the same—they have to provide a bond between two surfaces. The difference is not in kind but in degree—sealants have to fill bigger gaps and must, in addition, have more flexibility than is usually required for adhesives.

That is not always, however, as simple as it seems. The ordinary shoe, for example, is held together by adhesive at least in part. But while it prevents the upper from coming away from the sole, it must also withstand all the flexing and tension imposed upon it by the wearer.

SURVEY BY DAVID LOSHAK

The key element in this little appreciated but indispensable industry is, indeed, in expertise of application of its products.

It is, broadly speaking, a low capital industry. Although it employs advanced modern processes, such as polymerisation, these are hardly as complex as, for instance, those of the petrochemical industry, on which it relies for many of its raw materials.

There is such multiplicity of need for adhesives and sealants that the key to the industry's effective working is in suiting its many products to this variegated market.

There are some big multinationals in the field but they

are well outnumbered by small concerns, often family businesses. There are 23 companies among BASA's 64 full members with a turnover of less than \$2m a year, and some 60 or so concerns outside BASA together account for no more than 20 per cent of the market.

The chairman of one of them, Patra, of Basildon, which last year won a Queen's Award for Export Achievement, is Mr Max Kochmann, who is this year's chairman of BASA. "The industry is highly competitive and very responsive to the changing needs of our customers," he says.

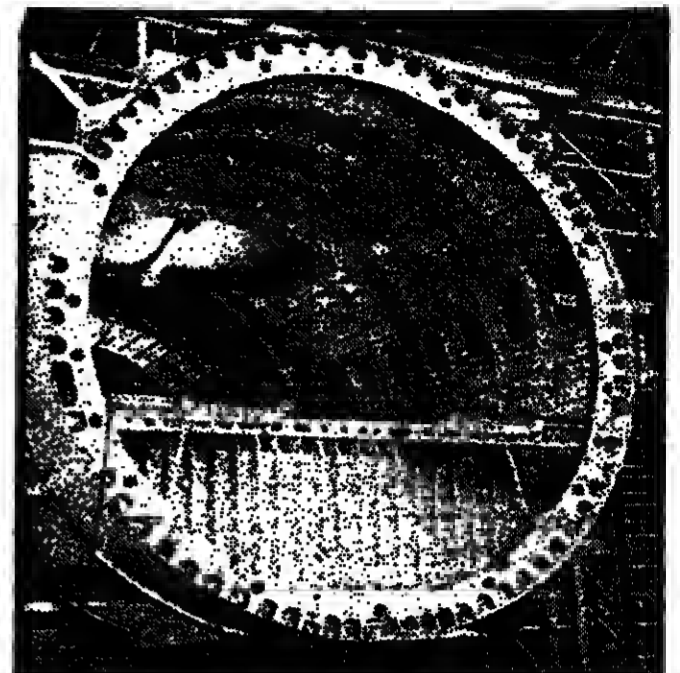
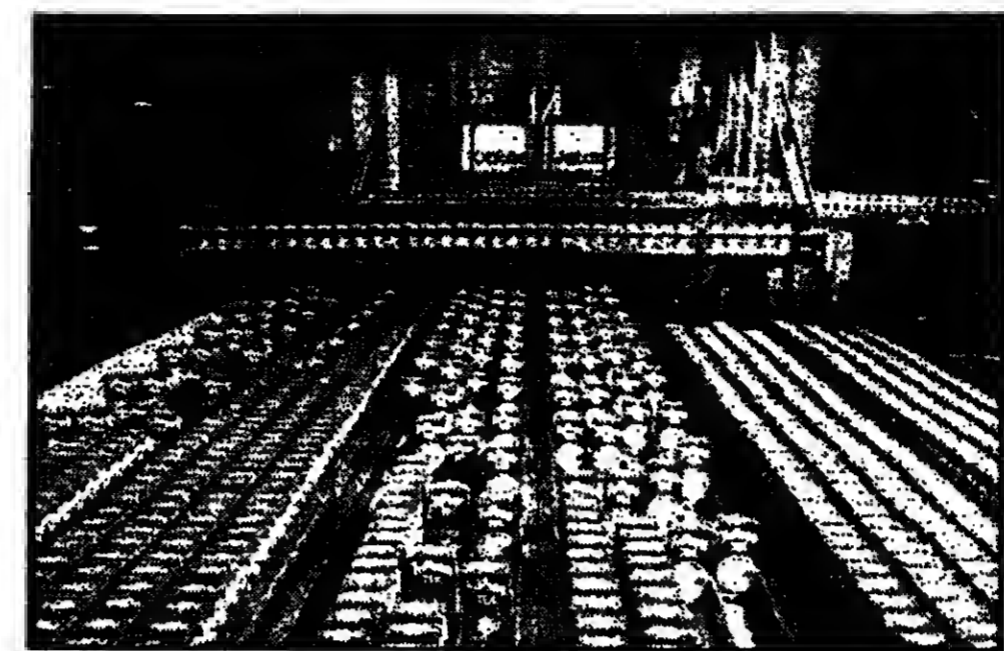
"Its extensive research and development activities continue to provide new and improved products in all fields, and thereby help to improve the products and processes of user industries."

This has led to a sea-change over the past 25 years in the quality as well as the range of products and the confidence of their users in them. Formulations are constantly modified, and specialist teams work with the makers of machines which apply them.

Prices is often a problem. The industry does not find it easy to explain justifiable increases to customers who tend to take its products for granted.

Yet, it is vulnerable to currency changes, the effects of crop failures, with consequent loss of resins, and perhaps above all, the economic ups and downs of its several markets.

When, for example, there is a recession in the construction industry or a downturn in one of the fashion-conscious markets, such as footwear, which the industry supplies, some



The centre fuselage of British Aerospace's 146 showing bonded stringers. From helicopters to the European Airbus adhesives and sealants play an important role in the construction of aircraft. Left: packaging is another important sector

smaller concerns can be hurt. BASA has been making efforts to help users of both adhesives and sealants to appreciate the nature of the industry and what it can offer.

"Our role here is not to pass on product information," Dr Bosworth says, "but to deal with more general topics such as the need to design any articles which depend on adhesives and sealants in conjunction with the suppliers of those products."

"The supplying industry itself often probably fails to appreciate the know-how it has built up on end uses. With commodities, a user's decision depends on cost, quality and delivery. In the case of adhesives and sealants, the same considerations hold but cost means the cost to achieve a function.

"It will vary with the cost per unit weight of product but often much more dramatically with the design of the bond, the calibre of the adhesive and the way the product is used —

whether it is applied, or 'cured' or whatever.

"In many cases, work with the supplier will offer major savings. These will come from the expertise the supplier has built up, even though the expertise itself is reflected, of course, in the price per unit weight."

Another important role the industry fulfils, through its trade association, is to deal with consumer protection. BASA has three working parties, dealing with labelling of hazardous products, safety and retail products.

It is inevitably involved, also with the proposed Health and Safety Commission COSHH regulations on the control of substances which threaten health, and regulations coming into force next year concerning the manufacture, supply, conveyance and use of dangerous substances.

It has an interest, further, in such legislation as the recent Intoxicating Substances (Supply) Act — passed to reduce solvent abuse (few cases of which, in fact, arise from sniffing adhesives).

These are functions of growing importance if only because of the EEC and the impact of European Commission directives on various aspects of the industry's work, such as quality standards, standardisation of pack sizes and other specifications, and product liability. BASA works closely with the European Adhesives Association and will host its 1987 Assembly, in Edinburgh.

Although several of the larger manufacturers have strong international links, exports are not of major importance. Many of the products, being water-borne, are uneconomic to ship, while others, which contain inflammable solvents, are awkward to send abroad.

In some specialist areas, as with Patra's ginning equipment, which has been sold in 30 countries there is a keen demand for British made products, while National Adhesives and Resins, a subsidiary of the US company National Starch, exports to 18 countries and sees China as a major potential growth area.

One innovation with export potential is the development of a tissue-tolerant superglue for use in human surgery. Now being studied at the Medical Unit of North Staffordshire Polytechnic this would offer to surgeons the same advantages of smoother joins and better load spreading in place of stitching, that industrial adhesives offer in place of welds and rivets.

It is fair to claim that the adhesives and sealants industry, unlike some other long-established British industries, has adapted well to change. Moreover, it stimulates change, with new ideas and new products — Dr Bosworth reckons that the typical product of today is superseded within five years.

Mr George Hutson, joint managing director of National Adhesives and a previous BASA chairman, says the industry deserves recognition for the way it has coped with a succession of new materials, end-product performance needs and developments in production and construction.

In the past, he believes, it was "somewhat casual" about its standing as a provider of a vital service. Users had thus regarded its products as commodities rather than specialties.

The industry now needed to project more self-confidence and style, as well as to seek, through its pricing policies, the financial base which would enable it to respond to its responsible role.

In the aerospace, automotive, electronic and building industries, there are many examples of new and highly demanding performance requirements that in-depth research by the industry has made possible," Mr Hutson added.

"While these are exciting, many other examples arise day by day whereby the industry is gradually helping a wide range of British industries to improve standards, cope with new products and processes and become more efficient.

"Such activities are more mundane but the adhesives and sealants industry functions as 'consultant' to industry at large and to the individual consumer. "It is a vital component in our industrial success."

THE TRUE TEST OF GREATNESS IS THE TEST OF TIME.

It took more than 100,000 men, 2 million blocks of stone and 30 years to complete the great pyramids of Giza. Forty-six hundred years later, they still tower in the Cairo desert, representing perhaps the world's grandest structures.

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Case in point: The New York Hall of Science. It was one of the first buildings to be caulked with a Dow Corning silicone construction sealant. More than 20 years later, the sealant is still in place, as rubbery and tight-sealing as the day it was installed.

At Dow Corning we believe in lasting solutions. Because we know that building sealants represent only 1/10 of 1% of total building costs, yet sealant failures can cause 10% of new building problems.

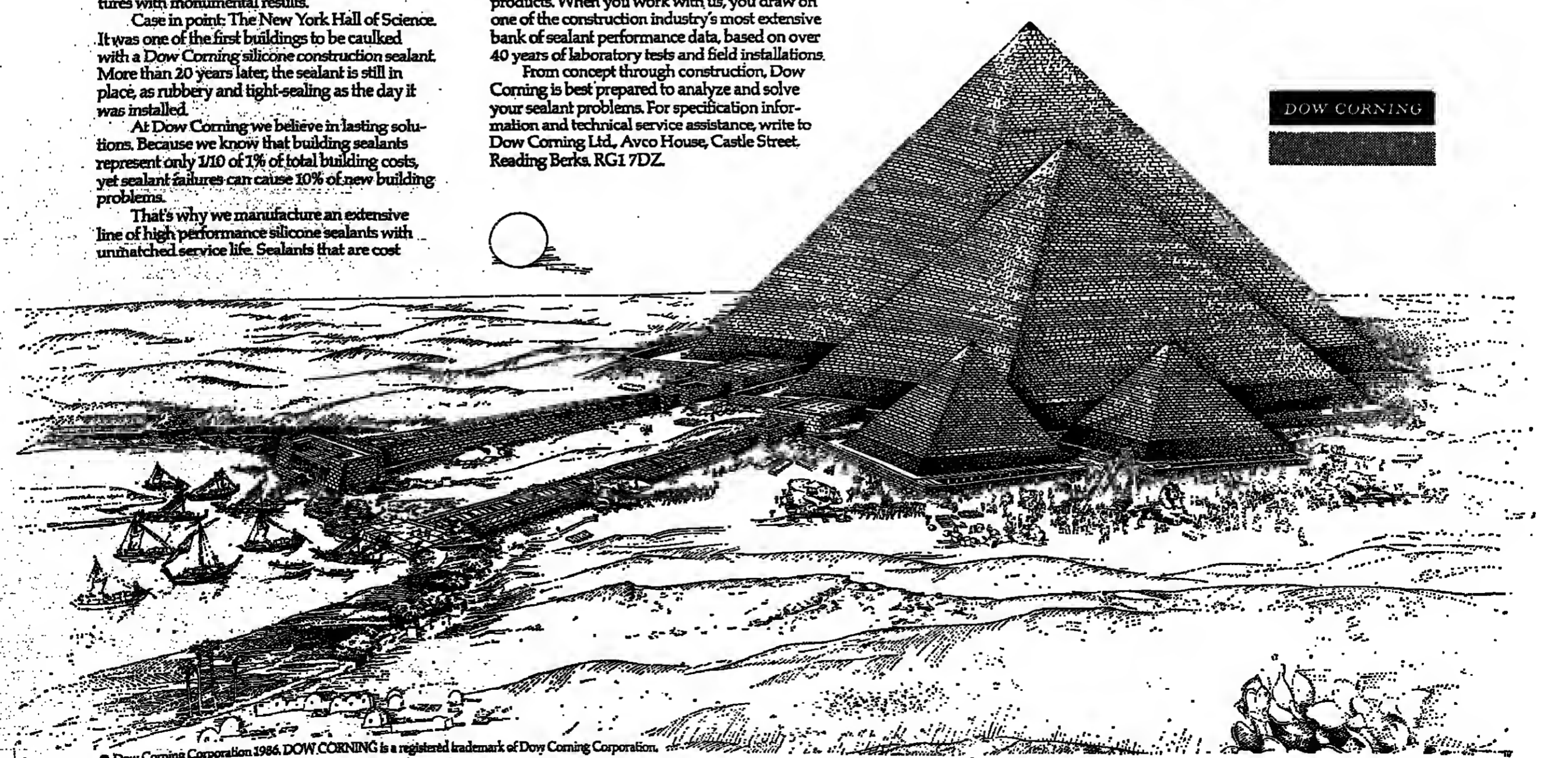
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SWIFTNEWS - SWIFTNEWS - SWIFT

NOT A CASEIN - NOT A STARCH - NOT A SYNTHETIC WHAT ARE THEY?

Swift have launched a new revolutionary way of sticking labels to bottles with no mess - no fass - no heaters - no rejects ... only clean, simple carefree labelling.

Called polymers, these revolutionary new products out-date all other types of bottle labelling adhesive.

Marketed exclusively by Swift, they have been formulated from raw materials used for the first time in this country, giving greater benefits than can be obtained from casein or starch based adhesives.

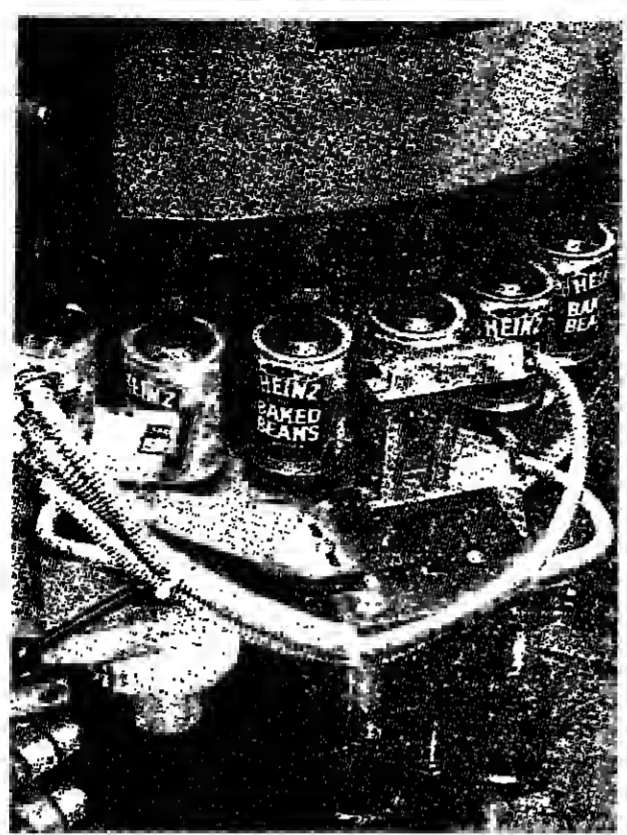
EXCELLENT MILEAGE

In a number of tests on Kronos equipment Swift polymers have demonstrated excellent mileage. As they contain a minimum of 45% solids this contributes to high initial tack and allows the adhesive coating weight to be significantly reduced. Consequently Swift polymers are economical as well as versatile in their application. But economy doesn't stop with low coating weight. They can be used without adhesive heaters. In addition, their easy clean-up properties, of course, mean savings in valuable maintenance downtime.

REPULPABLE ADHESIVES

For ecological as well as economical reasons, Swift have developed over 25 adhesives which are soluble when recycled.

These repulpable adhesives are designed for the paper converting industries which include bagmaking, corrugated laminations, glueup and the manufacture of tissue.



Picture shows: Heinz baked beans, labelled with a Swift hot melt adhesive which works effectively on cold as well as hot cans up to 40°C.

RESEARCH BOOST

Swift have increased their research team and facilities at Twickenham while also dedicating a new laboratory specifically to technical service at their Ashford, Middlesex, plant.

Now, out of a staff of 114, some 28 personnel work on formulating adhesives for tomorrow's needs.

HIGH SPEED HIGH TACK HIGH TECH

New surfaces and the emergence of more sophisticated machinery - packaging goods at greater speeds and at a variety of temperatures - spurred the development of high performance adhesives at Swift in:

Bottling Halls

Labelling bottles at the rate of 800 bottles a minute.

Canneries

Filling and sealing at speeds of 800 cans a minute.

Cigarette Factories

Filter tipping at 7,200 per minute.

Packaging Plants

Filling and sealing at speeds of 150 cartons a minute.

Paper and Board Plants

Laminating single face board stock.

Sack and Bag Plants

Bonding speciality bag and sack.

Tissue Converting

From bonding disposable nappies to providing tissue and towel pick-up and tail tie.

Product Assembly

Assembling and finishing major manufacturers' products.

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a Reichhold Company

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TIVOLI KAY ADHESIVES LTD, Bury, Lancs.

The company formulates SATRA-Hested adhesives for footwear, hot melts for the automotive, rubber and plastics industries, polyurethane adhesives for plastics and metal bonding in the automotive and allied trades, fast-cure polyurethane-based adhesives for formulating a wide range of materials used in the adhesives, automotive components, building and insulation industries.

PLUS PRODUCTS LTD, Blaydon-on-Tyne.

This forty year old company produces adhesives, sealants and coatings including: underbody protection and trim adhesives for automobiles; SATRA-tested footwear adhesives; adhesives under private labels for plastic piping to BS 4346 part 111 and 602B. Quality control procedures are approved to BS 5750 part II and to MOD standard 0524.

R. & I. CONNELL LTD, Romford, Essex.

One of the largest manufacturers of double-sided adhesive tapes in the U.K. Connells also commission cost to customers' requirements for automotive, houses, fancy goods, bookbinding and sports and leisure industries. RICON double-sided tapes are used in electronics, printing, floor covering and automobiles. Systems include hot melts, compounded emulsions, high-performance acrylics.

IDENDEN ALUMET LTD, Aldershot & Erith

Specialising in all types of mastic and sealants for construction, except the insulation material itself. Products include adhesives and sealants for attaching thermal insulation to metal or building surfaces; comprehensive range of coatings, mastics, sealants, aluminium jacketing and vapour barrier facings; protecting insulation on heating, ventilation and air conditioning projects and chemical process plants worldwide.

TANNER CHEMICAL CO. INC, Greenville, U.S.A.

An important and growing sector for the company is its specialty coatings with particular emphasis on the relationship, for both the textile and construction markets. A well-established manufacturer of specialty chemicals, Tanner is also a major supplier of water-based adhesives for the woodworking and construction industries. They also make adhesives and coatings for packaging manufacturers.

PLASKEM (VIC) PTY LTD, Victoria, Australia

A versatile adhesive manufacturing organisation producing for the industrial, plumbing and retail markets including solvent and water-based adhesives, mastics, sealants and PVC adhesives. A contract manufacturer, manufacturing and packaging service is available. A customer technical service is supported by Plaskem's highly regarded consulting and testing facility.

CHAMBERLAIN PHIPPS ITALIA S.p.A. Zane, Italy

Manufacturers of a wide range of adhesives and coatings used in many different industries and these include - adhesives for footwear manufacturers, flooring adhesives and floor leveling compounds, fire resistant textile coatings for blackout curtains and upholstery fabrics.

*Chamberlain Phipps PLC is an International group of some 25 companies organised into two divisions. The General Industries Division manufacturing adhesives and speciality chemicals as well as insulation accessories, automotive trim and vinyl wallcovering materials. The Shoe Components Division produces a range of materials and components used by footwear makers worldwide.

Chamberlain Phipps PLC, Wood Street, Higham Ferrers, Northants NN9 6HH. Tel: Rushden (0933) 53084. Telex: 31517



Adhesives and Sealants 2

On this and the next two pages a look at some of the sectors supplied

Structural adhesive innovations

Civil Engineering

STRUCTURAL adhesives offer the best growth prospects within the adhesives industry. Their development gives the engineer a viable alternative to mechanical joints in many load-bearing and other applications. The advantages of adhesive bonding, as against soldering, welding or riveting, are manifold. There is less risk of corrosion. They make possible continuous fixing with forces spread evenly along the glue line. Application is easier and appearance better.

But while engineers have a wider choice than ever of materials of varying capabilities, adhesive suppliers have found it hard to overcome their allegiance to tried and tested methods. A conference, to examine such aspects of structural adhesives as their use in the motor industry and what requirements there will be in the future, is being convened by IAL Consultants, of London, later this month. IAL's own researches suggest that much of the growth in use will occur in bonding plastic and lightweight metal components. The great potential for structural adhesives in transport has yet to be realised, IAL says. The all-bonded car, lighter in weight and therefore more fuel-efficient as well as corrosion-resistant, has yet to roll off the production line.

Nevertheless, a prototype has been developed, which makes greater use of aluminium and plastics. The car consists of a central steel chassis, a front end frame, a form of chassis comprising the main load-bearing members of the monocoque design. Aluminium or plastic body panels are fastened to this by adhesives which overcome the problems of mechanical fixings, such as their concentration of stresses at fixed points. Adhesives can also be used in the frame itself, where the enhanced stiffness of bonded structures may enable designers to use thinner metal, lowering production costs. A Loctite adhesive has recently been used for the first time, in the new Austin Rover GR4 Rally Metro, to fasten a magnesium-aluminium roof to a steel body.

Structural adhesives can also reduce the time and cost of repairs, says Dick Newberry of the Adhesive Technology Department at BL. "Current cutting and welding techniques make de-trimming necessary. But removing a damaged panel and bonding in a replacement is a cold technique. It means that trim and fuel system components can be left in situ."

Adhesives and sealants of many kinds are already used widely, of course, in the automotive industry, both by the main manufacturers and the makers of components. Epoxy, rubber or PVC based adhesives are applied as fluid paste to parts of the car body before it passes into ovens for heat hardening of paint, where they too solidify.

Spotweld sealants are also used to prevent rust at vulnerable points. A recent development is the use of moisture-curing polyurethane adhesive sealants to bond in and seal windcreens. As so often in the adhesives industry, it is the smaller companies that have major innovations to their credit. One in this field is the Staffordshire firm, Apollo Chemicals.

Its Astrolak adhesive and bonding system for "sandwich panel" construction has helped to modernise the production of caravans, truck bodies, mobile homes and cold stores. Some adhesives will even bond through thin oil films. This is useful in many processes where bonding is needed in the course of production before it is practicable to remove contaminants.

Another major user of adhesives and sealants is the domestic appliance industry. In appliances as varied as freezers and ovens, dishwashers and vacuum cleaners. Tough and durable one-part sealants can plug leaks in gas pipes below ground, often obviating costly and inconvenient road excavation work.

The brazing of machine tools may soon be obsolete, thanks to recent work with high strength heat-resistant bonding. A new toughened adhesive outperformed welding in tests. Special new adhesives have enabled at least one manufacturer of air conditioning units to use new materials and so cut production costs by 40 per cent.

Yet another field in which adhesives play a valuable role is the construction of segmental bridges. Epoxy resins are



On the Thames Barrier two-part polyurethanes seal the concrete walls, deck areas and 'domes' while flexible epoxy sealants are used in the levels where abrasion is a possible problem.

used to join surfaces of precast concrete segments in such a way that compression, shear and tensile stresses are transmitted from segment to segment. The surfaces of joints are lubricated during assembly, and to help segments to be positioned properly during erection, and to give a moisture seal across the joints. In hardly any of these repairs...

ADHESIVES USE

By type, 1985 (estimated)

	Tonnes
Natural glues and adhesives	900
Solvent-based rubber adhesives	39.0
Bituminous	3.5
Solvent-based rubber adhesives	21.5
Rubber latex	16.0
Synthetic resin (polymer) emulsions	69.0
Other water-based adhesives	12.0
Solventless adhesives (including hot melts)	14.0
Structural adhesives	5.0
Other adhesives	7.0
Total	307.0

No significant change in total consumption is forecast up to 1990, but there will be important changes in the types of adhesives used. There is a trend to replace solvent-based adhesives with water-based or solventless types and there will be consequent changes in the requirements for raw materials. Prospects are particularly bright for polymer emulsions and hot melts.

BY END-USE

1984 (estimated)

	Tonnes
Packaging and paper	30.5
Building & construction	70.5
Textiles, non-wovens, footwear	5.0
Vehicles	7.0
Other uses, including retail sales	41.0
Total	294.0

Source: IAL Consultants.

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Name Position

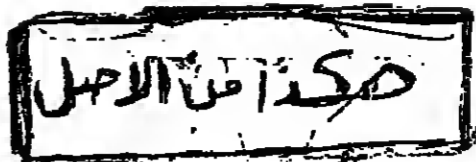
Company

Address

Telephone

Tel. No.

Adhesives and Sealants 3



Big appetite for adhesives

Stationery

ALMOST EVERY stationery product—and there are thousands—requires an adhesive. In printing and bookbinding, too, adhesives are essential; and the roles they have to fulfil are surprisingly varied. Hardbacks, paperbacks, periodicals, directories, catalogues and educational books all have differing requirements.

A number of companies in this field produce hundreds of adhesives for envelopes of many kinds, folders, files, boxes, binders, writing pads and the like, as well as for books as varied as receipt and cash books at one end of the spectrum and quality hardbacks at the other.

There are also such useful products as the growingly popular yellow self-adhesive papers which will stick almost anywhere but can be removed and restuck without leaving a mark. But there are also self-adhesive labels, of course, which are made so that they cannot be peeled off.

A noteworthy adhesive in the stationery field is the widely-used stick of "non-sticky stuff," which is one of the most convenient and easy ways to bond paper, card and the like, and

is absent from hardly any office in the country.

The adhesives used in stationery are mainly hot melts, emulsions, vegetable glues and pressure-sensitive adhesives, the last allowing for any degree of tack or peelability, as required.

To produce envelopes by the million from reel-fed, high-speed machines, re-moistenable hot melts are now the favoured adhesive. Hot melts are also used in seams and bonding processes, giving fast setting at economical cost. Other examples of their use include direct mail returns, promotional literature and continuous-run stationery.

Clear end colourless emulsions, too, are fast setting and are ideal for greeting card assembly, for example. Re-moistenable emulsions allow lightweight paper to lie flat.

Dextrin vegetable glues are, after many years, still widely used in envelope manufacture. There are all kinds of grades for all kinds of circumstances and requirements, such as fast-drying, tropical climates, extra wet tack, and high gloss.

There are several manufacturers, some established for generations, who have specialised in bookbinding adhesives, including new ones which allow swifter production, and synthetic resin adhesives which can be used cold to give flexible bonds with clean results.

Books present many challenges to the adhesive manufacturer. With mass-produced paperbacks, for instance, the paper is often heavily filled and non-absorbent, and there may be colour printing right into the gutter, with ink solvents capable of affecting the adhesive.

In addition, as there are no hoar covers and spine, the paperback's durability comes from its adhesive; yet this must not be so stiff that it will not open easily, and the book may be exposed to extremes of temperature. The modern hot melts are the best answer to these problems.

School textbooks produce different problems. They get exceptionally hard use and must be able to withstand it term after term. Many carry colour illustrations on coated paper. They should lie flat and they must be produced at lowest possible cost.

The adhesives industry has proved adept at meeting the constantly developing requirements of a society which, despite the telecommunications explosion, has an unappeasable appetite for stationery and the printed word.

Exports of formulated adhesives

(1980-84)	1980	1981	1982	1983	1984
Casein glues	208	13	215	212	224
Gelatin ^a	2,734	568	1,919	1,933	1,674
Starch or dextrin glues	594	103	704	675	644
Fish and animal glues	n/a	n/a	1,535	1,632	1,288
Prepared vegetable glues	970	273	830	997	1,308
Other prepared glues	12,180	2,478	10,887	10,727	10,688
Glues for retail sale: (packages less than 1 kg)					
Cellulose-based glues	1,191	254	1,775	1,594	1,175
Other products suitable for use as glues	1,333	335	1,254	1,289	1,362
Total			19,050	18,989	18,483

^a The statistics by weight are incomplete for 1980-81 as no totals are given.
[†] Excludes photographic gelatine, by definition includes edible gelatine.
[‡] Last quarter only.

	1980	1981	1982	1983	1984
Casein glues	148	14	250	179	259
Gelatin ^a	4,824	988	3,650	3,789	4,236
Starch or dextrin glues	253	79	452	482	584
Fish and animal glues	1,223	228	1,527	1,809	1,393
Prepared vegetable glues	1,433	499	1,846	2,316	2,639
Other prepared glues	12,381	3,630	14,055	15,691	15,577
Glues for retail sale: (packages less than 1 kg)					
Cellulose-based glues	1,054	223	1,437	1,311	1,101
Other products suitable for use as glues	2,900	814	2,472	2,553	2,585
Total	24,816	5,986	26,189	29,210	30,074

^a Excludes photographic gelatine, by definition includes edible gelatine.
[†] Last quarter only.
 Source: Overseas Trade Statistics.

Imports of formulated adhesives

(1980-84)	1980	1981	1982	1983	1984
Casein glues	460	128	285	366	509
Gelatin ^a	5,172	1,672	6,496	6,131	6,705
Starch or dextrin glues	1,177	770	2,419	2,461	3,118
Fish and animal glues	n/a	n/a	5,211	4,396	4,380
Prepared vegetable glues	270	188	653	243	447
Other prepared glues	2,468	669	3,315	3,890	4,565
Glues for retail sale: (packages less than 1 kg)					
Cellulose-based glues	90	45	96	48	51
Other products suitable for use as glues	666	185	704	678	770
Total			19,269	18,206	20,545

^a The statistics by weight are incomplete for 1980-81 so no totals are given.
[†] Excludes photographic gelatine, by definition includes edible gelatine.
[‡] Last quarter only.

	1980	1981	1982	1983	1984
Casein glues	276	74	275	274	540
Gelatin ^a	7,981	2,856	11,766	11,499	13,607
Starch or dextrin glues	542	332	2,246	1,436	1,704
Fish and animal glues	3,420	773	3,312	2,822	3,063
Prepared vegetable glues	272	89	414	509	863
Other prepared glues	4,316	1,202	6,035	8,972	9,320
Glues for retail sale: (packages less than 1 kg)					
Cellulose-based glues	414	171	391	94	114
Other products suitable for use as glues	4,262	1,244	5,060	3,980	4,054
Total	21,483	6,841	28,601	28,656	33,265

^a Excludes photographic gelatine, by definition includes edible gelatine.
[†] Last quarter only.
 Source: Overseas Trade Statistics.

Do-It-Yourself

THE buoyant do-it-yourself market—DIY to aficionados—continues to boom, with sales of some £3,000m a year in all. Within this market, of course, adhesives, fillers and sealants are fundamental.

Home owners now comprise the majority of householders, and DIY activity has increased markedly, although the number of hardware shops supplying the market has fallen from about 23,000 during the 1960s to about half that number today, due to the rise of DIY superstores.

With the continuing popular interest in bathroom and kitchen deer showing no signs of slackening, and as householders, particularly the young, show increasing confidence and ability in tackling jobs for which they would have formerly called in a professional, the market's continued growth seems assured.

There is now a bewildering array of adhesives, fillers and sealants for the do-it-yourselfer to choose from.

Evode, a major UK manufacturer, has established its Evostick as a household name. The range has impact and time-bond adhesives, waterproof wood adhesives, adhesives for ceramics, ceiling tiles and floor coverings, grouting, flashings and glazing tape, bath, roof and car sealants, and much more.

Among other leading suppliers in the retail DIY market are Hansil, Expandite, Bostik and Hermetite, although there are, of course, many more producing both adhesives and sealants in a great variety of forms and for almost every domestic need.

One of the most notable products of recent years has been the class of cyanoacrylate adhesives—the "superglues"—which have exceptionally rapid bonding times, measured in seconds rather than minutes, and whose ability to bond impermeable surfaces like metal and plastic as well as wood and paper have made them all but indispensable to the home handyman—though he has to be careful, as they are, notoriously, no less good at bonding human skin.

The adhesives industry has proved itself to be particularly inventive in this area and responsive to consumer demand. There are even adhesives which can be used with inflatable craft like dinghies, as well as adhesives which spread like butter and so are particularly easy for the non-expert to use. It is a market in which there are always good new ideas.



At canning factories high speed precision and versatile adhesion characteristics are important.

Supermarkets are spur to development

Packaging

FEW INDUSTRIES have created more challenges and opportunities for the innovative and ingenious use of adhesives than packaging and labelling. Supermarket trading, with the switch from personal to self-service, which has been chief spur to change and development. This revolutionised packaging, as not only the shelves of the supermarkets but their frozen-food compartments make abundantly plain. The brown-paper wrapping and anonymous bags of the past have gone, replaced by individually packed and sealed items displaying the maker's name, often in distinctive ways which would be impossible without sophisticated adhesive techniques and the

complex machinery that enables them to be applied on a mass scale at great speed.

Without modern adhesives, certain types of packaging could not exist at all—frozen food in greaseproof boxes, for example, or many kinds of PET plastic bottle which, despite appearance, consists of two sections hooded near the base.

The apparent simplicity of a staple pack belies the complexity of its underlying technology. The humble bag of nuts, for example, is a three-layer laminate.

Or, to take another example, a tub of yoghurt can require an adhesive to be white, for aesthetic reasons. It must also be capable of resisting the migration of fats, and able to create an impervious seal to atmospheric conditions. And it must fulfil statutory regulations governing direct contact with

food, and be capable of working effectively on the packaging machines.

No less remarkably, the cigarette industry depends on modern adhesives for speed and reliability of production. Adhesives are used with machines that attach 8,000 filter tips a minute; and up to 400 hinge-lid packets a minute are formed and sealed by adhesives.

Adhesives are vital, too, in carton manufacturing, case and carton forming and sealing, tray-erecting, tube-making and tapes and labels. Pack design, the type of paper and board employed, the inks and varnishes and barrier coating used, as well as the variety of packaging machines that are available, all influence the type of adhesive used, and stimulate the development of new and better adhesives.

Hot melts are among the most commonly used kinds of adhesives in packaging. They have transformed packaging during the last two decades by allowing faster production and the use of many more types of packaging material.

Also commonly used are dispersions—popularly known as "white glues," which are water-based, like emulsion paint—starch adhesives, used in bottle labelling and the manufacture of bags and sacks, and protein glues from animals and casein, which have excellent laminating qualities.

The cost of the adhesives is a relatively small item in the total costs of a package—typically, as with a peanut bag, about 7 per cent. But if the adhesive fails, so does the entire package, and a lot of sales appeal. The adhesive in packaging is crucial.

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Adhesives and Sealants 4

Aminoplasts make their mark

Chipboard

PROBABLY NO material, despite the wide range of modern plastics is as versatile as wood. But the trouble is that it is always relatively scarce, if only because it takes so long to produce.

One way to maximise the potential of wood is to employ chipboard, which uses almost every part of the tree to produce boards with uniform and consistent properties that can go into almost every type of finished article for both industry and the domestic consumer. Last year, more than 2m cubic metres of chipboard were used in Britain.

The role of adhesives in its production is vital. Synthetic resins are used to bond wood particles into a homogeneous mass. As much as 10 per cent of a board can be resin, so the properties of the adhesive are crucial and the manufacturers have done a great deal to get

the best possible performance and appearance.

The most widely used resins are aminoplasts, chemically formulated to give a smooth surface and to be moisture-resistant and durable.

A 12 inch-thick mat of particles and resin is built up on a moving belt and fed into a heated press, where the board is formed and cured. After being pressed, at temperatures of up to 200C, the boards are cooled, then cut to size and sanded.

As the technology has developed, grades of chipboard for special applications have been produced. Some is veneered with real wood, or there is board with decorative laminates, or with PVC and paper foils. Particularly durable boards, which can withstand high

humidity, are made for kitchens and bathrooms, and these need special resins. Other forms of board have been produced with higher strengths, for structural applications, and with superior mechanical properties, achieved by orienting the wood particles. Again, this is totally dependent on the right adhesive.

One of the latest developments is medium-density fibreboard, in which the wood is broken down into individual fibres before being bonded. This board is like a fine-grained wood. It can be machined much more than chipboard, which allows moulding and other more detailed working to be carried out.

Chipboard and related products have been in use in Britain now for more than 30 years, and have an established place in a variety of uses—a variety that is constantly developing. This has been possible only because of the close co-operation between the board manufacturers and the suppliers of resin.



Adhesives play a major part in the manufacture of shoes

Footwear

MOST footwear today is made either by sticking a pre-formed or sheet rubber sole together, or by moulding a thermoplastic or thermosetting material on to the upper. More than 50m shoes are produced in Britain each year.

Because so many materials are used in modern footwear—various rubbers and plastics as well as leather—the differing adhesives used have to be highly versatile. They must have good "tack", high initial strength and a capacity to withstand the stress of being worn. Heat resistance is also important.

The Shoe and Allied Trade Research Association, which works closely with the British Adhesives and Sealants Association, employs stringent testing and evaluation methods at its Footwear Technology Centre.

Finished shoes are processed using the Solva sole vulcanisation tester to determine the force needed to separate the sole.

The European Adhesives Association has also equipped test machines and instruments for footwear adhesive bond testing.

Unhappy youthful experiments

SOLVENT ABUSE

We reserve the right not to supply certain solvent-based products



THOSE WHO toll in what to many is seen as the somewhat humdrum business of adhesives and sealants are to a man affronted at being linked with the bizarre and, for all the publicity, comparatively rare practice of solvent abuse, popularly known as glue sniffing.

Even solvent abuse is not an accurate description of the habit, for some of the substances involved are not solvents. To be precise, it is volatile substance abuse that is the problem.

Glue sniffing as such is estimated to account for fewer than 25 of the 80 or so deaths a year to Britain, almost always accidental, almost all among teenage boys, attributed to the habit of inhaling volatile and psychoactive substances to obtain a dreamlike "high." About 1,000 youngsters a year are thought to experiment with these materials.

Dozens of products besides solvent-based adhesives can and are used. They include such everyday contents of kitchen cupboards, bathroom cabinets, dressing tables and garages as cleaning fluids, nail varnish remover, aerosol propellants, hair sprays, paint, petrol, air extinguishers and even the fumes from burning ping pong balls. Adhesives have unjustly attracted publicity because, in essence, glue-sniffing is a term that suits headline writers.

Despite this, the adhesives and sealants industry has, more than any, taken initiative to tackle the problem. Most notably, it has founded the national charity Re-Solv, whose executive director, Mr Barrie Lees, has been seconded to it by his company. Re-Solv, totally independent from the industry, has 26 local

Moreover, most vile-smelling additives are themselves toxic.

In any case, such additives tend either to reduce the effectiveness of adhesives or lose their adhesive qualities relatively soon. In the US, one additive is suspected of being carcinogenic.

In considering whether there is a technical solution to the problem, it can obviously be asked if consumers need solvent-based adhesives at all. For some applications, certainly aqueous products are more suitable—in wood gluing, for instance. But to glue plastics or rubber, only solvent-borne adhesives will do.

In other cases, where the industry has provided consumers with a choice, they have tended not to prefer the aqueous products because they take longer to provide a bond. They neither look as good nor perform as well in other respects.

It thus remains that solvent-borne adhesives account for a quarter of the total tonnage of adhesives sold. Since they need more precautions in use, it is evident that they do some jobs better.

Work is going on to develop adhesives which are solvent-free. This has in any case been undertaken because it would reduce the need in industrial processes for flameproof motors and help to eliminate static. But it remains a stubborn physical fact that water has a high latent heat and is also unable to dissolve plastics. No major switch to solvent-less substitutes is therefore likely.

Ultimately, it is a matter of education, social attitudes and law enforcement. The videos, books, conferences, leaflets and posters can do a great deal.

As for social attitudes, controlling behaviour, especially of teenagers, is a notoriously tricky problem, especially in a free society. Harsh repressive measures would almost certainly prove counter-productive. Publicity has probably helped to spread the fashion but could equally be used to combat it.

Likewise, although laws against harmful habits can often create more problems than they are intended to solve, the recent legislation should perform a useful role in discouraging irresponsible shopkeepers from selling potentially dangerous inhalants to young people. The need for the legislation, as well as an illustration of the deterrent power that the law can deploy, has been demonstrated in Scotland, where, under Common Law, two Glasgow shopkeepers were sentenced to three years' imprisonment for selling solvents to children, knowing they would be abused. Under English Common Law, they could not have been prosecuted.

All in all, says Dr Colin Brewer, director of the Community Alcoholism Treatment Service at the Westminster and All Saints' Hospitals, writing in the Scientist, volatile substance abuse is best seen in historical perspective, individual tragedies notwithstanding. "As with other and laughing gas (freely sniffed in Victorian times), the habit will probably diminish of its own accord and the vast majority of habitual glue sniffers will have transferred their affections to beer long before they are legally entitled to do so."

authorities among its associate members as well as associations representing manufacturers and retailers.

A grant from the Department of Health and Social Security has enabled it to produce an up-to-date advisory kit, with guidelines and warning stickers, for free circulation to 43,000 retailers.

There is also a 20-minute video for shop assistants covering the history of volatile sub-

stance abuse (which goes back to ancient Greece), medical aspects and the best ways to deal with potential abusers across the shop counter. There is, too, a video for schools and a book for social workers.

The British Adhesives and Sealants Association believes that education, as broad as possible, is the best approach. As Dr Peter Bosworth, its secretary, points out, this is a social problem that is not at bottom amenable to a technical solution.

BASA has helped defray the costs of publishing a book of making the Health Department film illustrations, for professional workers, and of seminars on all aspects of the issue.

Mr Lees believes that as most solvent-based products can be abused, the dissemination of correct information should be dealt with collectively by all manufacturers of such products. For this reason, Re-Solv has a variety of industrial and trade associations among its members.

In addition to its educational work, the charity co-ordinates action across the spectrum of these industries, seeks to make media coverage more responsible and informed, and maintains contacts with concerned MPs.

The Intoxicating Substances (Supply) Act, which came into law last year, was drawn up in close consultation with the adhesive industry and other interested parties. It makes a person who supplies or offers to supply a substance which they know or believe will be inhaled by a young person liable to six months' imprisonment or a fine of up to £2,000.

This superseded an earlier Bill which would have required manufacturers to add an agent to make adhesives repellent. But BASA was able to persuade MPs and ministers concerned with volatile substance abuse that aversive additives were impracticable.

The products would be rendered unpleasant or even unacceptable to the proper user.

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New needs stimulate improved products

Technology

FOR MILLENIA, starting with the glues derived from bones and hides in ancient Egypt, to the chemically sophisticated bondings which have so successfully kept the heat resistant tiles of US space shuttles in place, adhesives have continually played a part as essential as it has been unsung and underrated in man's technological advance.

Few people would even think of putting adhesives along with the wheel, paper, explosives or agriculture as inventions which have been fundamental to progress. Yet their largely invisible contribution has been crucial from the earliest times.

Never more so than today, when their uses are legion. Without them, indeed, and sealants too, hardly anything would be as it is in fields as varied as electronics, publishing, architecture, medicine, packaging, construction and aerospace. They are essential in Concorde and the Thames Barrier and motorway, ingeniously applied in shoes and cigarettes and toilet rolls.

Quite when the possibilities of using adhesives were first

discovered is unknown. But a fragment of a coffin found in an Egyptian tomb and dated to before 2500 BC has surface clay veneers stuck with animal glue. A cake of glue has been found in a tomb from the second millennium BC. A wall decoration of later date shows a carpenter with a gluepot beside him.

The Egyptians were pioneers, too, with sealants. Bituminous materials have been found in the tombs of the Pharaohs.

As the Egyptians, so the Chinese, as in so much else. The ancient Chinese adhesive mix of cheese and lime was similar in essence to the 20th century use of casein, the protein in milk. Casein was used during the Renaissance for picture frames.

Factory production of glue from skins and bones came from Holland to Britain in the 18th century and remained the main adhesive in woodwork, abrasive products and bookbinding until the 1940s. Indeed, animal glue is still used—in directories that are to be recycled, for example, and as the binder in match heads.

It was during the industrial revolution, from the later 18th century, that the use of starch as an adhesive grew apace. First

used as a textile size, it led to the development of the dextrine industry, with its tackier and faster-setting adhesives. These were the mainstay of the packaging industry until the veritable revolution in that sector of the last two or three decades.

At about the same time, natural rubber in solution in organic solvents produced adhesives for textiles, clothing, footwear and rubber and remained in such use until recent times. Pressure-sensitive tapes using rubber solutions date from as far back as 1845, and new adhesives came during the following decades for textiles, paper and board, the "dry tack" of the natural rubber gum leading to self-seal adhesives of a kind widely familiar still.

The use of rubber latex for adhesives is especially noteworthy, for it was the first time a dispersion was used rather than a solution. Adhesives of this kind are widely used today. Also, vulcanising ingredients in rubber adhesives marked the first use of chemical reaction, a harbinger of the immense developments to come.

The mid-19th-century also saw the introduction of linseed oil putties, the first significant ad-

vance in the manufacture of sealants.

In the years up to World War II, more natural adhesives came into use—the water resistant wood adhesives, deriving from blood albumen and from casein that were used by Alcock and Brown in other early aircraft. A mixed blood and egg albumen adhesive was long used to stick the cork to the metal of bottle crowns.

It is only relatively recently that these have all but totally disappeared. But as early as the 1930s, synthetic polymers, albeit few in number, were becoming known—the phenol-formaldehyde resins, and urea and melamine formaldehyde glues, for instance.

However, it was only some 30 years ago that synthetic polymers, cheaper now through bulk manufacture and the rising cost of natural raw materials, came into their own. That began a trend which accelerated rapidly with the rise of the petrochemical industry and the mushroom growth of modern synthetic adhesives and sealants.

These have been developed in line, of course, with the increasing use of synthetic materials generally, to meet the considerable and varied demands of modern packaging, and as a

stronger and corrosion-free replacement of rivets, screws, bolts and other mechanical fastenings.

"You can no longer think of it as the gunk and glue business," says Mr Harry Werrell, managing director of Swift Adhesives and a leading figure in the British Adhesives and Sealants Association. "In whatever direction you turn, when two surfaces come together there is an adhesive for them."

That means the technology has developed, for example, a wide range of products to handle difficult substrates—those in which the basic chemical or physical structure of the surface does not respond to the bonding mechanism of traditional adhesives.

Thus, it is now possible to stick materials to waxy, greased or varnished surfaces, to aluminium foil, plastics, glass and to many other surfaces with which non-mechanical bonding was not possible until a few years ago.

The development of hot-melt adhesives for bonding has advanced from such initial applications as packaging and labelling to coating, laminating and product assembly—uses dictated by the need for speedier output on production lines.

Hot melts are totally solid material composed of polymeric resins, waxes and stabilisers which, in various combinations, offer a large range of physical properties for different applications. They differ radically from liquid adhesives in that they form bonds by cooling rather than evaporation or absorption, giving them the advantage of very rapid setting in high speed production and allowing the most precise and accurate control, saving on cost.

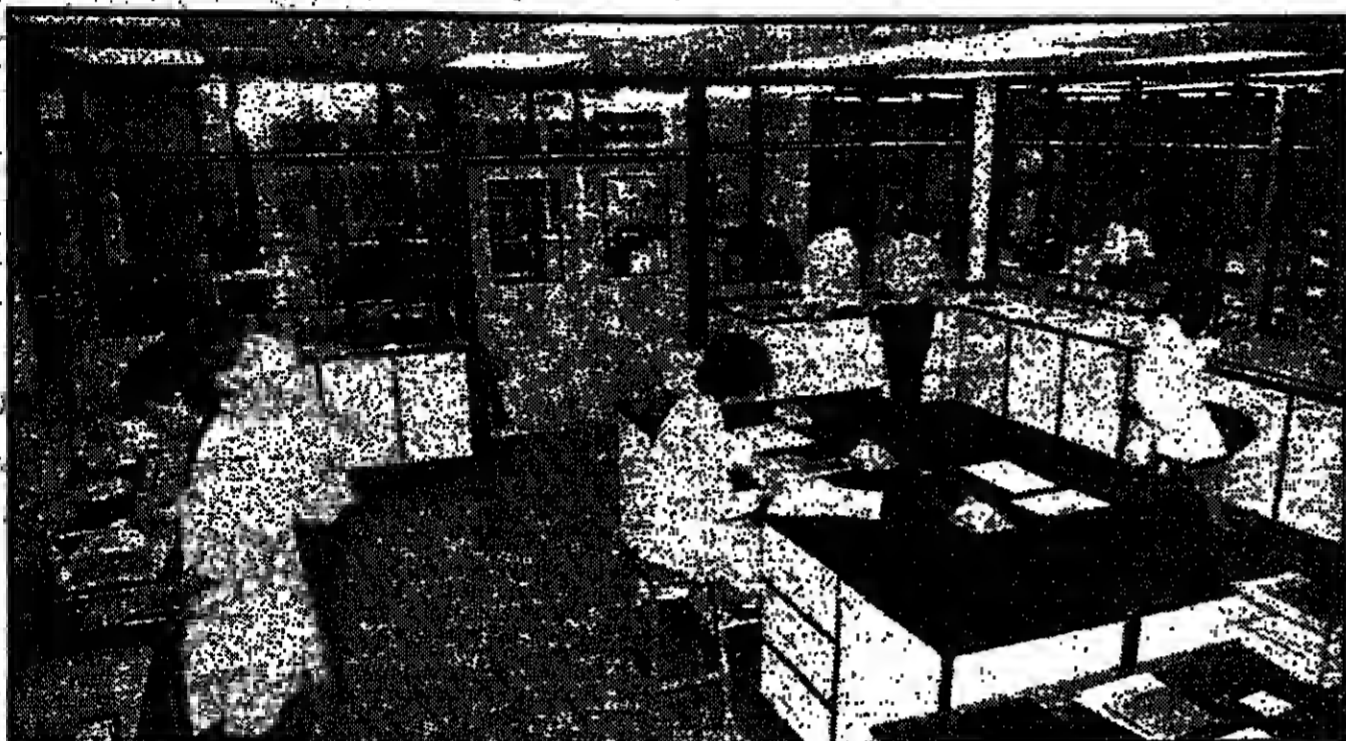
Because there is no volatile vehicle that has to be eliminated, they can bond many impervious substances. And their shelf life is lengthy.

Poly-vinyl acetate adhesives have been developed, with acrylics and co-polymers in their formulation, for high-speed, water-resistant packaging as well as in bookbinding, bottle labelling and envelope manufacture. Continuing research in synthetic polymer chemistry has yielded new EVA emulsions for wood applications and, through crosslinking technology, adhesives that can withstand extremes of exposure.

Dextrine and starch adhesives are still used widely, as are animal glues, in bookbinding, packaging, labelling and the like. Solvent-based adhesives are increasingly non-flammable, for



Technicians use computers in the formulations laboratory at Datic Adhesives, the Dukinfield (Cheshire) based company, to make sure adhesives supplied match customer's needs



New laboratory facilities at Tivoli Kay Adhesives, Bury

product assembly applications in insulation, foam converting, trim attachments, sealing batteries, decorative laminates, vibration damping panels and hundreds of other uses.

Modern adhesives often have to withstand stretching and bending. New solvent and water-borne systems are fundamental to the manufacture of such varied products as snack food packets, fire-retardant blankets, sailcloth, tarpaulins and other flexible web applications.

The growing use of nonwoven materials for disposable medical and domestic products has led to new and highly engineered adhesives applications. Often, the adhesives must be sterile and non-toxic.

In high technology, with its new industries, the challenge of innovation has led to the development of cyanoacrylates, anaerobic sealants and acrylic adhesives. The major suppliers to the adhesives industry today invest heavily in research and development.

The science of adhesion involves several scientific disciplines—polymer physics, polymer chemistry, surface chemistry, colloid chemistry, rheology.

Polymer physics and chemistry are deployed in determining the quality of the final bond made by adhesives and sealants—their capacity to withstand extremes of temperature and humidity, their durability, their resistance to load and shock.

Surface and colloid chemistry are employed to achieve adhesion to the surfaces to be bonded and sealed. Because the forces of adhesion are at molecular level, they can only be brought into effect by very close contact and it is an adhesive's "wetting" ability, its ability to enable intimate contact with a surface, that is crucial.

Rheology, the science of flow of liquids, is used to assure that flow qualities are appropriate to application method and machinery requirements. An adhesive or sealant must usually assist the user, in terms of timing and speed of setting, to make a bond as well as provide the final joint.

The development of sealants has, advanced remarkably in recent years, notably in the building industry. In the war years, they were used in tanks and vehicles to enable them to

pass through rivers and streams, as well as in aircraft and ships. Later, they came into more general waterproofing use but the modified putties that were not displaced until the 1950s were unsatisfactory.

Oil-based mastic was an improvement but also had limitations. It was succeeded by polysulphide sealants, butyl rubber-based sealants and the acrylic sealants, and later by silicone sealants, which proved of particular value in glazing and of ever-growing use in the construction industry. These have excellent durability and can accommodate movement.

An index of the utility of modern sealants is provided by the New Scotland Yard building in central London. Whatever there is to say against its architectural aesthetics, it is worth noting that it contains 17 miles of polysulphide sealed joints.

In all these and many other ways, adhesives and sealants today contribute significantly to industry, commerce and the economy generally. Thanks to the remarkable developments in their technology, they will continue to play a key role in the regeneration of British manufacturing.



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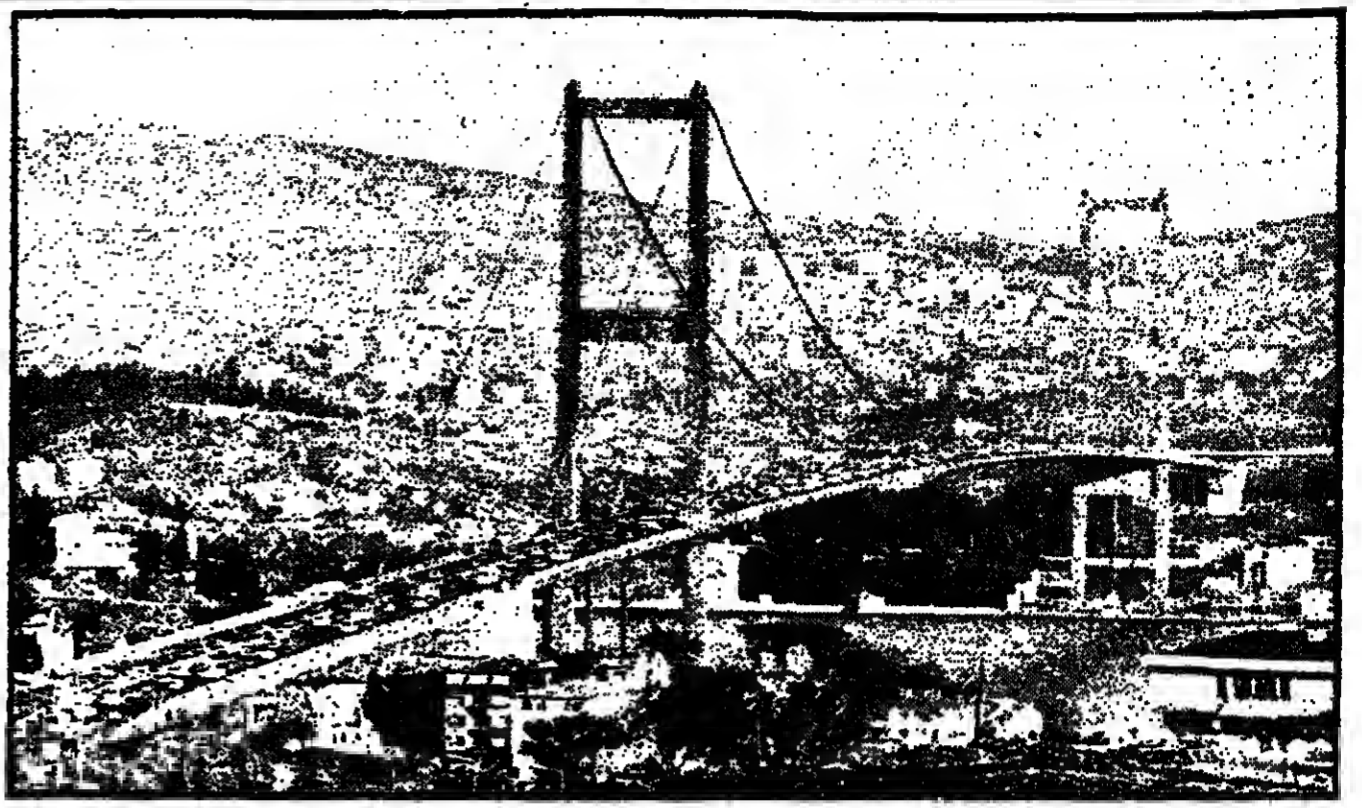
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FINANCIAL TIMES SURVEY

سورته من الاصل

TURKEY



The Bosphorus bridge, gateway between Europe and Asia

EVERY YEAR has been a testing one in Turkey during the last decade. In the later 1970s the economy was struggling to survive the consequences of gross mismanagement. In the 1980s the emphasis shifted to efforts at reconstruction, the restructuring of industry and the financial system and opening up of the economy to world markets.

Restructuring of industry within a stable political framework is proceeding under Prime Minister Turgut Ozal, and the crisis of the early 1980s is over. Now priorities are directed on maintaining momentum in the decade ahead while continuing the return to democracy.

Alarm bells stop ringing

By David Barchard

This is a testing year and so, too, will its immediate successors be. The kind of turn around which Mr Ozal has been attempting since 1980 probably requires at least a decade to consolidate itself.

But the alarm bells have stopped ringing and business has a more favourable environment in which to operate than for many years. Law and order prevails in the major cities, though opposition political activity is growing steadily freer and more visible. Times are much more normal, economically and politically, than they have been in Turkey in a long while.

This is not to say that Mr Ozal has yet completed the agenda of economic reforms he embarked on in 1980—or that all Turks yet feel politically satisfied with the present system.

On the economic front, inflation remains too high (around 48 per cent in 1985) and, as a result, investment is sluggish. Mr Ozal has been able to pull Turkey's current account deficit down to about \$1bn, but he was not able to attract more than a modest \$90m or so in foreign investment last year.

The country's financial system remains frail, with some institutions (particularly in corporate finance and inter-bank lending) either non-existent or embryonic, while others such as state banks for instance are struggling to cope with inherited debts and bad management.

Turkey's industrialists have shown an impressive willingness to learn how to export, since

1980. But they do not yet enjoy the back-up that their competitors possess in many other countries, while inefficient or bad managers are still protected from the cost of their mistakes.

Politically, Mr Ozal remains in the ascendant, even though he faces increasingly noisy challenges, both from the social democrats and from his former master, Mr Süleyman Demirel.

The opposition claim that Turkey enjoys much less political freedom than other European countries do. Mr Demirel has been campaigning this spring, from end to end of the country, using the populist slogan, "Turkey without prohibitions." He would like to see the prohibition on his re-entry (and that of other senior former politicians, including ex-prime minister Mr Bulent Ecevit) lifted. Mr Ozal has indicated that he will not go along with this. It is not simply that he would be unhooking two genes who might turn into formidable political foes. President Kenan Evren, the architect of the 1982 Constitution, would certainly veto such a proposal.

Liberalisation at home, however, has been sufficient to melt the ice between Turkey and the European Community. Major strides towards normalisation

were taken this spring, with the Council of Europe for the first time for several years giving Turkey a clean bill of health on human rights issues. Defendants in most of the more controversial trials, such as that of the Turkish Peace Association, have now been released, though hearings continue.

The emphasis is now on re-activating Turkey's diplomatic and political links with Europe. The once-sullen relationship with the French has brightened up since Mr Chirac took office. Though a bilateral issue—that of alleged Turkish discrimination against its ethnic Greek population—stands in the way, it is now assumed that the Turkish-European Community Councils will meet later this year, and that \$530m of Community aid, blocked since 1981, will finally be disbursed, either in 1986 or during the first half of next year.

As a result, the isolationist mood which dominated Turkish politics and press after 1980 has begun to lift, though some grievances remain— notably the visa requirements imposed by many European countries for Turkish travellers.

A cynic might say the shift to Europe partly reflects the fact that relations with Turkey's Middle Eastern neighbours are

going through something of a trough, while Turkish-US relations are strained by the failure to reach accord on a new Defence and Economic Co-operation Agreement.

For most of the country's westernised middle class, this is clearly not true. Convergence with Europe—and membership of the European Community—is seen as the only way forward by left-wing intellectuals and Istanbul businessmen alike. The argument that membership will immunise Turkey against further military interventions is even to be heard, delicately phrased, in some quarters.

The pro-Europeans, who want to see their country look like the advanced industrial democracies of Western Europe, are casting nervous glances over their shoulders these days at the growing visibility of religion in the country's life.

There is a major religious faction inside the ruling Motherland Party. Mosque-building, even in the universities, is on the increase. Islamic proselytizing is spreading to urban middle-class areas. Religious dress, particularly for women, has become much more common than it used to be.

Most Turks do not want to see the conflicts of the first

half of this century, between fundamentalists and secularists, revived. Yet it is not clear how far the new Islamic upsurge will go—or where it would like to lead Turkey. It does seem, to say the least, that a more Islamic Turkey would probably be less pro-European.

Turkey can expect the European Community to accept it, if it is a secular state, the majority of whose people happen to be Muslims," says the leader of the Social Democratic opposition, Professor Aydın Güven Gürkan. "But it cannot expect a 're-Islamised' Turkey to be acceptable to the EEC."

A different concern relates to the long-term social effects of Mr Ozal's policies, accused by the Prime Minister's critics of spreading income inequality. Unemployment and poverty receive relatively slight statistical investigation in Turkey. It is clear, however, that for those outside the protective extended family network, times are harsh.

To help the worst off, Mr Ozal and his advisers are trying to create a special poverty fund, and the Government has struggled, through such measures as graduated tax rebates tilted in favour of the worst-off, to ease the lot of low-income groups.

"It is difficult to criticise Mr Ozal too far," says an Ankara

journalist, who is publicly identified with a different party. "There is only a limit to what can be done with Turkey's resources, and the fact of the matter is that things are obviously much better than they were five years ago. You can't honestly argue that, in terms of prosperity, most people are much worse off, even if civil servants are being squeezed. These people tend to forget that they have never had things easy in the last 30 years under any government."

Because of this, opposition to Mr Ozal focuses either on the civil liberties issues, such as torture or union rights, or on the electorate's desire for swift improvements in its living standards.

Sometime this year, Mr Ozal and the Motherland Party will test their popularity with the voters in by-elections at a still unannounced date for empty seats in parliament.

They will set the perspective for approximately two years, until the 1988 general elections. Though businessmen and politicians are already turning their thoughts to what will happen after that, Mr Ozal has the prospect of two more years in the saddle, running a country which is still relishing the unfamiliar taste of stability.

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TURKEY 2

Politics

Mr Ozal stays firmly in the saddle

SIX TIMES Turkey's prime minister in just over two decades, Mr Süleyman Demirel sits in the ground floor study of his Ankara home and headquarters surrounded by pictures of white horses, the emblem of the Justice Party which he led until it was shut down by the military in 1981.

Five years later the Turkish centre-right is still fragmented. Apart from long-standing competition from rightwing nationalist and ultra-religious parties, Mr Demirel is competing with the Prime Minister, Mr Turgut Ozal's Motherland Party, and a new grouping, the Free Democrat Party led by the former President of the Turkish Union of Chambers of Commerce and Industry, Mr Mehmet Yazar.

stand in the 1983 General Elections and so won seats in Parliament) and the Social Democracy Party (which was not) have combined forces, they face competition from the former prime minister, Mr Bülent Ecevit, who has set up a Democratic Leftist party. Mr Ecevit however has retained virtually none of his followers from the pre-coup period and the new Social-democracy Populist Party seems to have the backing of the large majority of the followers of the now dissolved Republican Peoples Party.

he has the support of the majority of Turks in the countryside. A rally to the town of Bursa in western Turkey, in March, turned into a massive triumph for Mr Demirel which villagers flocking in their thousands to welcome him.

there are good political reasons for this gentlemanly restraint. Mr Demirel may some day need Mr Ozal's backing if he is to regain his political rights before 1992. Mr Ozal may have to turn to Mr Demirel for support in forming a government if he does not win an outright majority in the 1988 general elections.

Events, however, are not quite as they were during the 1970s. Then, Mr Demirel refused to enter a grand coalition with the left of centre, arguing that this was against the national will. Now he is changing the possibility that he might prefer not to combine with Mr Ozal at all but to go into a coalition with the Social Democrats to restore full constitutional democracy in Turkey by repealing most of the provisions of the 1982 Constitution.



Mehmet Kececioglu, looking serious like a professional businessman, is an Islamic politician.

Islam's doughty champion

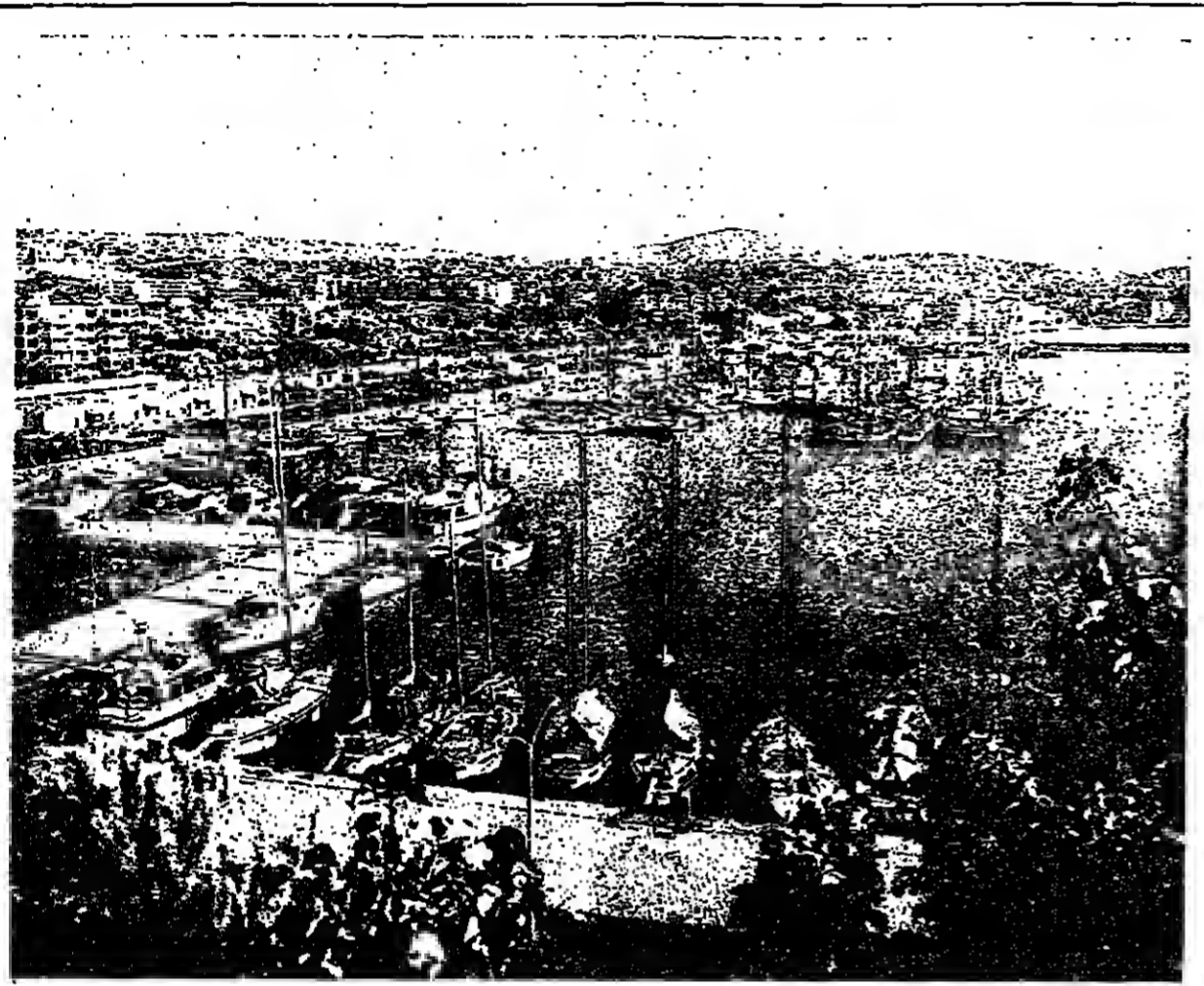
Profile: Mehmet Kececioglu, leader of the Motherland Party's religious wing

RECEIVED wisdom has it that Turkey's ruling Motherland Party is made up of four distinct political tendencies, grouped together under Mr Ozal's leadership.

His critics see him as a smooth manipulator who selected one target after another to build up the influence of the MP's Islamic wing, pushing through potentially unpopular legislation on such matters as beer sales and indecent publications.

As the identifiable leader of the MP's religious wing, he will have to work hard to overcome the suspicion of Turkey's westernised middle class if he is to climb to the political heights for which his evident professional qualifications fit him.

David Barchard



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But some of the Motherland Party's MPs are worried. They fear that the party will not be able to win an outright majority in 1988 because it has needlessly alienated key groups among the voters such as farmers (to whom Mr Demirel appeals) and organised labour, unnecessarily re-ruffed—as they see it—by Mr Ozal.

To counteract the risk of a three-way (or four-way) split in the 1988 elections, the Government changed the election law in April to give a major advantage to whichever party wins most votes and to make it very much harder for the third and subsequent parties to get substantial representation in Parliament.

If there is no party with an overall majority in 1988, then on past form Turkey might be in for a period of no-holds-barred fighting between the parties and government by unstable coalitions.

Social Democratic Opposition

Harmony needed on the wings

THIS IS proving to be a particularly testing time for Prof. Gurkan, leader of the main Opposition party, as setback follows success.

On present opinion polls, the Social Democrats would form the next government. They attract 42 per cent of those questioned, against 30 per cent for Prime Minister Turgut Ozal's Motherland Party which, at the last election, took 45 per cent of the popular vote.

Many workers resent the erosion of their standard of living under Mr Ozal's economic policies and the curbs on trade unions. They are also concerned about the continuing high level of inflation.

The new party can expect these voters to be drawn naturally to the strong social democrat tradition in Turkey. But it cannot yet take the territory for granted. Mr Bülent Ecevit, who headed the previous left-wing government of 1973-1979, but who is banned from running for office until 1992, has staked out his claim with the Democratic Left Party.

mic policies and sufficient support of experts and bureaucrats. The chances of proselytising successfully (before the 1988 election) are very low because we've left it too late.

The election is nonetheless two years away, and greater harmony between the party's wings would allow members to work on their electoral problems.

Observers say there was initially considerable goodwill between the parties, but SODEP members became wary of Professor Gurkan during the merger negotiations.

Continuing unease in the SODEP wing, however, has ensured that a somewhat reluctant Prof Inonu has maintained an active leadership. An atomic physicist by training, he carries great personal authority as the son of the right-hand man of—and successor to—Atatürk, the founder of modern Turkey.

Associates believe he might have a more open mind on economic matters than Prof Gurkan, who is a professor of education. Yet doubts hang over Prof Inonu's ability to develop into a successful politician.

Rod Oram



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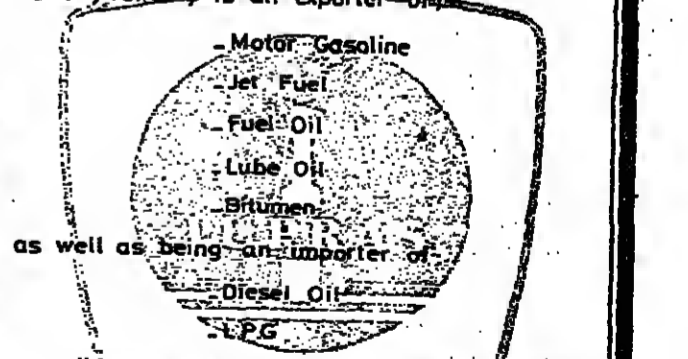
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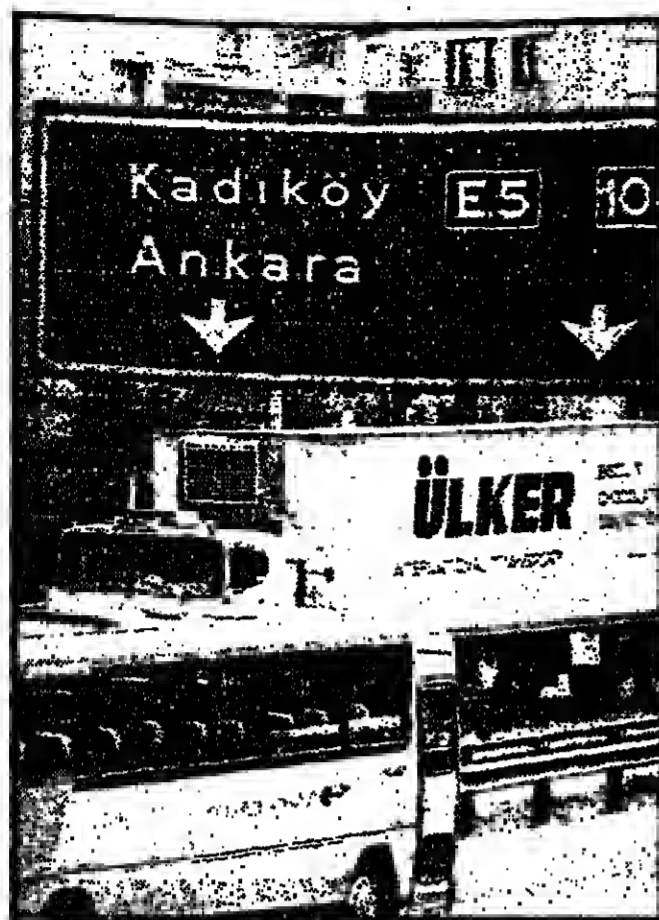
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دولة من الدول

TURKEY 3

Relations with the EEC

No quick entry, but the log jam is broken



On the road at Istanbul to Europe in one direction and into Turkey the other way

Foreign Policy

A bulwark on NATO's flank

THERE IS hardly a country in the world with a more complicated foreign policy... Turkey, which borders on the west with Greece and Bulgaria...

But, in the eyes of most Turks, it is really part of the Islamic world... If you are a bridge, you can belong to both worlds at one and the same time.

The neat formula, which is employed even by academics, is more attractive on paper than it is in practice... They cannot be all things to all men for all of the time...

It is only fair to say that amidst all the flux and flexibility, there are some constants... Both its European and Islamic traditions and its traditional fear of Russian communist expansionism...

Turkey's key role in the Alliance inevitably involves it in a close relationship with the US... which, while it has its ups and downs, is considered by both sides to be a permanent fixture.

Since 1947, Washington has pumped more than \$7bn in military aid and more than \$4bn in economic aid into Turkey... an investment that is not easily squandered.

The US Congress permitting, it can be assumed that a reasonable compromise will be reached some time this year between the somewhat excessive sum of \$1.2bn demanded by the Turks and the \$799m currently provided by Washington.

Under Mr Turgut Ozal's government, Turkey has also become more insistent that its future resides in full membership of the European Community...

Yet misconceptions about the political nature of the European Community regarded in Turkey as just an economic extension of the Atlantic Alliance, continue to persist in Ankara.

Few people have made a genuine study of how membership is likely to affect Turkey's prized trading and political relations with its Islamic neighbours... Indeed, there is a general assumption that Turkey can reap the economic advantages of EEC membership without paying any kind of political or economic price...

except in so far as they regard Turkey's accession to NATO, are not an outstanding feature of Turkish foreign policy in the post-war era.

A few examples suffice to show how adept Turkey has become in walking the tight-rope of international diplomacy and economic relations... Turkey is a member of the Islamic Conference, but has never signed or ratified its charter because of the Turkish secular constitution.

Turkey supports the Palestinian Arab cause, but has always refused to cut off its relations with Israel... Turkey has declined to take sides in the war between Iran and Iraq, which takes 14 and 12 per cent of its total exports respectively.

In spite of its anti-American and anti-Nato stance, Libya has always been considered a special friend of Turkey's, for historical as well as economic reasons.

The recent US military raid on Libya and Washington's condemnation of Col Gaddafi, the Libyan leader, as the fountain-head of international terrorism, has once again put the "bridge" concept of Turkish foreign policy under pressure.

The Turkish government went through the usual diplomatic contortions, aimed at not upsetting either side too much, while appearing to support both their positions... The Americans, though clearly not enchanted with Ankara's response, were prepared to accept it without too much fuss...

The credibility of Ankara's position was stretched to breaking point when two employees of the Libyan People's Bureau in Ankara were charged with planning a bomb attack on a US officers' club, while an official statement completely cleared Mr Abdul Malik, the head of the People's Bureau, of any involvement in the affair.

Turkey's even-handed approach to the Iran-Iraq conflict is also coming under increasing pressure, with both Iran and Iraq, backed by Saudi diplomacy, calling increasingly for a clear-cut commitment by Turkey to their respective causes.

Last, but not least, no progress whatsoever has been made towards a solution of the Cyprus problem on the basis of the latest proposals of Mr Perez de Cuellar, the UN Secretary-General, nor towards a settlement of the numerous disputes between Turkey and Greece in the Aegean.

Turkey has adamantly refused to withdraw its troops from the northern part of the island until after the implementation of a proposed federal system, while the Greek Cypriots and Greece want them withdrawn at a much earlier stage.

The feeling appears to be growing in Ankara that failing an early Cyprus settlement, a continuation of the present de facto partition of the island is quite acceptable... Indeed, the Government is stepping up its campaign to win international diplomatic recognition for the self-styled Turkish Republic of Northern Cyprus.

Whet has not been clarified in Ankara is how such a situation can be reconciled with a partnership between Greece and Turkey inside the EEC.

TURKEY'S RELATIONS with the European Community, the prize for all those Turks who believe with Kemal Atatürk, the founder of their Republic, that the country's future must reside in closer ties with the West, have taken a distinct turn for the better recently.

Though many obstacles remain to be overcome before the present Government's goal of full membership of the Community is realised, the complete logjam in relations which existed only a few months ago, appears to have been broken.

The reasons for the thaw are entirely political. The freeze—in particular the suspension of some Ecu 647m of EEC financial aid under Ankara's 1983 Association Agreement with the Community—took place as the direct result of the suppression of democratic liberties in Turkey following the 1980 military coup.

While many Turkish officials argue that the Community's continued reluctance to re-activate the Association agreement and to contemplate full Turkish membership has more to do with protectionist tendencies in the EEC than political principles, their view is not an outstanding feature of Turkish foreign policy in the post-war era.

The European Community was never intended to be only a customs and economic union, it is emphasised in Brussels. The idea was always to create a community of nations with similar democratic systems and principles and a common view of individual liberties...

similar democratic systems and principles and a common view of individual liberties, which would be able to play a real political role in the world. Greece, Spain and Portugal, so the argument goes, were finally admitted to the Community only after they had restored democracy. Though the chaotic conditions which persuaded the military to assume power in Turkey in 1980 have certainly made them more understandable than most military coups in the eyes of West Europeans, the perpetuation of a system which gives the military the final say is still considered to be incompatible with full membership of the EEC.

Indeed, it is as the result of the recognition by Mr Turgut Ozal, the Prime Minister, and his closest advisers of that basic fact and the political terms which have to be met by Turkey if it is to achieve greater integration with Europe, that the thaw in Turkish-EEC relations has taken place.

The breakthrough came at the end of 1985, when five European countries and Turkey reached an out-of-court settlement of a suit brought against the Turks before the European Commission of Human Rights. Under the settlement, which implicitly recognised the progress which had been made on the human rights front by the Ozal government, Turkey agreed to lift martial law throughout the country within 18 months...

Secondly, agreements were reached last December and last month on the sensitive issue of Turkish textile exports to the EEC, on which the Community has imposed quantitative restrictions. Under the second of these arrangements, EEC quotas for imports of some categories of clothing, such as shirts, t-shirts, trousers and underwear, will be increased annually by 3 to 8.5 per cent between 1986 and 1988.

The agreement is considered of great importance for Turkey, nearly 25 per cent of whose export earnings are provided by textiles and which has become the largest single exporter of textiles to the EEC. Though Ankara's ultimate aim is, of course, to obtain completely free entry into the Community.

Finally, the Turks have convinced themselves that the recent decision by the 21-nation Council of Europe, to give Ankara the presidency of the organisation for the current year, in recognition of the progress made towards the restoration of democracy, has more than symbolic significance. Though it has nothing to do with the EEC, Turkey has always looked upon the membership of the Council of Europe as establishing its European identity and qualifications—a kind of ante-chamber giving access to the throne of the European Community.

Mr Ozal's government has made it clear that it is full membership which Turkey is after and nothing less. The arguments deployed by Ankara in favour of such a development range from the political to the economic.

Last year, nearly 40 per cent of Turkey's total exports went to the EEC and some 31 per cent of its total imports came from the Community. Though the Middle Eastern countries as a group are an equally important trading partner, falling oil revenues and the continuation of the Iran/Iraq war make them a more doubtful long-term prospect than the EEC.

Last but not least, the Turks believe that their recent industrial development will enable them to compete on an equal footing with Western European industry in a growing number of sectors.

A recent study undertaken by IKV (the Turkish Foundation for Economic Development) covering 53 industrial sectors found that only 15 of these sectors would be unable to compete within the Community at present.

The "weak" sectors make up 22 per cent of the country's industrial production and are mainly in the processed foodstuffs and chemical fields. The "strong" sectors include textiles of all kinds, in which Turkey is among the world leaders, some foodstuffs, shoes, tyres, wood, paper, glass, cement, steel, shipbuilding and oil refining.

Most EEC countries, however, do not want to go nearly as fast as the Turks. They feel that it will take some years to absorb the Spanish and Portuguese economies into the Community, and that that is enough for the moment.

The Greeks, in constant conflict with Turkey over Cyprus and Aegean territorial issues, are likely to prove intractable negotiating partners. And no member country, least of all West Germany, which is already host to more than 1m Turkish "Gastarbeiter," wants to accept the free movement of Turkish workers which would go with Turkey's entry into the Community. Indeed, Bonn has already made it clear that it will not carry out its present obligation under the Ankara agreement to introduce freedom of movement in December this year.

The timing for a Turkish membership application—as distinct from a revival of the Association agreement—is therefore an extremely sensitive matter. Mr Ozal has indicated that he will table the application within the next year or two. At the same time, he and his officials have indicated privately that Turkey would not expect to join the Community for at least 15 years, made up of about eight years of negotiations or longer, and a seven-year transitional period.

Robert Mauthner

The decision by the five European countries, including three of Turkey's hitherto strongest critics in the Community (the Netherlands, Denmark and France) to drop their human-rights case, paved the way for other welcome developments on the European front, as far as Turkey was concerned.

A decision in principle has been taken by the Community's Council of Ministers to convene the dormant EEC-Turkey Association Council later this year, to discuss all the many problems which have piled up since its last meeting several years ago.

The decision was made possible by the long-delayed agreement of Denmark to pay its share of the 47m Ecu which was due to have been paid to Turkey in 1973, at the time of the first enlargement of the Community by the entry of Britain, Denmark and Ireland.

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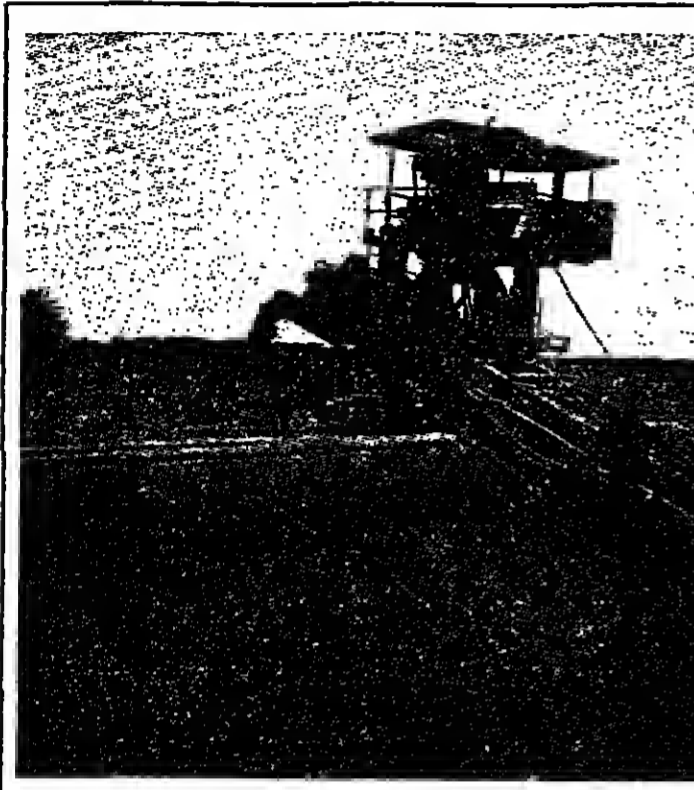
Economy

Relief sought through cheaper oil

MR TURGUT OZAL, the Turkish Prime Minister, and architect of his country's progressive transformation into a modern, free market and export-oriented economy, is likely to reap an unexpected reward for his efforts this year.

on the basis of \$20 a barrel, the savings on the oil import bill would amount to about \$1m in 1986, as much as one-third of last year's net foreign exchange cost of Turkey's oil imports.

falling oil revenues will affect the capacity of Turkey's major trading partners in the Middle East, such as Iran, Iraq, Saudi Arabia and Libya, to pay for imports.

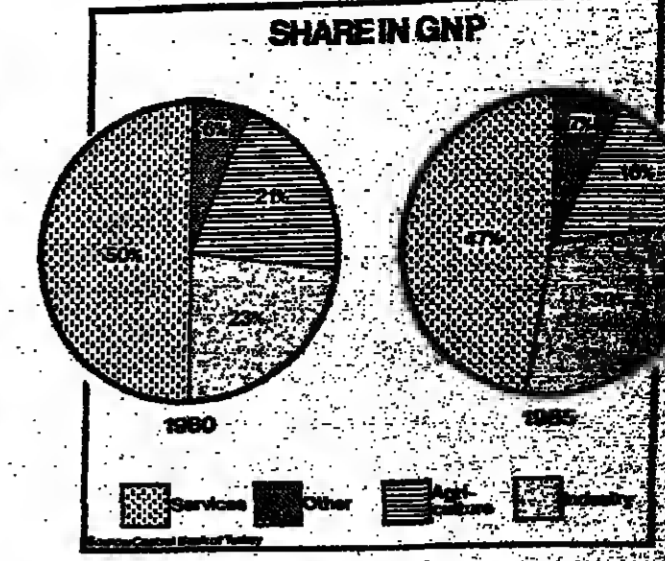
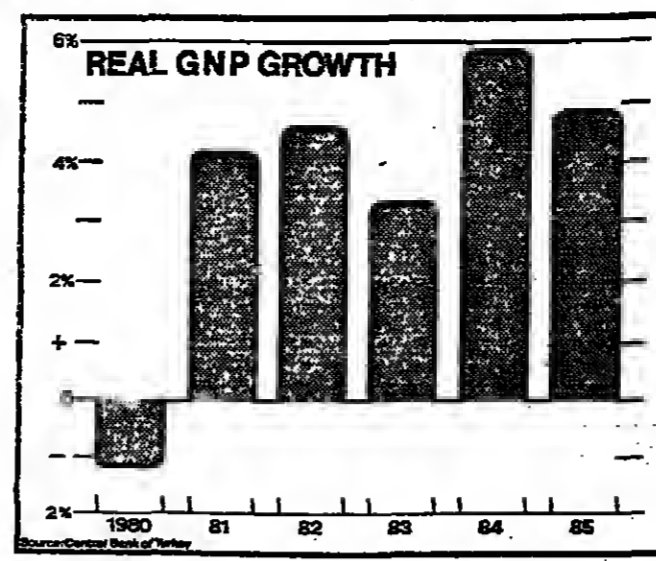


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Such a saving would make a substantial impact on the trade deficit which, though exports grew twice as fast as imports, still amounted to an estimated \$3bn last year, while the current account was \$1bn in the red. It would also make the government's task of servicing the country's \$20bn of foreign debt during the remaining three "hump" years considerably easier—\$3bn is due in interest and principal repayments in 1986 and 1987—and generally give greater room for manoeuvre to economic policy makers.

The official optimism about the balance of payments outlook is not necessarily shared by all economic experts, who underline Turkey's sensitivity to economic constraints in major oil-producing countries. All the



1985, in line with Turkey's decision to adhere to the GATT code of conduct, bringing with it the fear of falling revenues from export sales. Then, the publication of export figures for December 1985 was delayed for several weeks, provoking speculation that there had been a sharp drop in export payments.

to liberalise the foreign exchange regime, which include making the lira fully convertible. The natural inclination by foreign observers of the Turkish scene to single out the positive aspects of Mr Ozal's economic reform programme, by comparing it with the economic "dark ages" that existed in Turkey only a short time ago, have tended to obscure some of its failings.

Local Government

Cleaning up in two big cities

THE MAYOR of Ankara is determined that his citizens shall be able to breathe clean air next winter. The Mayor of Istanbul is determined that the waters dividing his city on two continents shall remain a cesspool no longer.



Bedrettin Dalan, Mayor of Istanbul, by a local cartoonist during the waterway clean-up

Since 1984, both men have been given the financial backing to make their dreams come true. They also have the power to do something about the problems of transport, housing, water supplies, and other environmental difficulties which have mushroomed as populations have boomed.

More power for metros

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Mr Bedrettin Dalan has been no less fast on his feet in dealing with Istanbul's pollution problem. The Golden Horn, which runs off the Bosphorus and divides the European halves of the city, had been deluged with industrial waste and sewage for years. Along its banks were hundreds of badly constructed small factories and workshops.

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صندوق الاستثمار

Banking

Past debts weigh heavily

TURKEY'S DRIVE to restructure its economy is seen most strikingly in the banking system where different types of bank and banking operation exist side by side.

major banks seems likely to be affected for some years to come. One of the biggest of Turkish banks is thought by its competitors to have been able to show a balance sheet profit last year only by cosmetic adjustments including a reduction in its provisions against defaults.

Banks like Yapi ve Kredi and Akbank which rely to a considerable extent on their large deposit bases, however, have been jostling in recent months with much smaller competitors like the Ekonomi Bankasi and the Ktisat Bankasi which offer banking type services and whose state enables them to achieve a higher degree of efficiency than the big banks, especially the state ones.

Not everyone is sure that these kinds of operation are necessarily the key to success that they once were. American Express has sold a controlling interest in its highly lucrative Turkish operations to the Koc Group. The move is seen as an injection of capital necessary to provide the bank (now renamed in Turkey as Koc American) with a chain of branches.

Many of the older and larger operators, particularly in the public sector, still find the past weighs heavily on them but progress achieved by the sector as a whole over the past two or three years has also put the pressure on the small one-stop operations.

Trade finance, foreign exchange transactions and purchases of Treasury bonds seem to be the three easiest ways to make money in Turkish banking. Retail banking is out of favour though the larger private banks compete for deposits. The use of cheque books is still very limited as are inter-bank clearing services.

The Ekonomi Bankasi is cautious about entering many areas of the market including Treasury bonds. By contrast, Mr Erol Aksoy at the Ktisat Bankasi does an active trade not only in Treasury bonds but also in corporate bonds.

Management seems to be the magic ingredient for the successful Turkish and foreign banks alike—as well as continuing vigilance against customers likely to default.

Last year was a difficult year for the larger state banks, which carry a disproportionate share of the debts of industry. One bank—the Ziraat Bankasi—is encumbered by 60 per cent of the country's published non-performing loans, having been used two or three years ago to mop up the affairs of several insolvent banks and industrial groups.

Limited charges—and distrust of bad cheques—prevents banks from encouraging cheque book transactions, though at Yapi ve Kredi, Mr Husnu Ozyegin says that his bank is considering various security devices which would make payment by cheque more easy.

While other banks are set on sophisticated banking operations with international banks, he is proud of a \$30m revolving underwriting facility (RUF) arranged this spring by Merrill Lynch and the Commonwealth Bank of Australia.

While the recovery in the larger commercial banks encourages many observers and the growth of the smaller ones is impressive, many feel that the banking system will not be fully healthy until the state banks show some signs of catching up.

Ziraat is Turkey's oldest and by far its largest bank. Its problems are basically the result of past mismanagement. The position of some other state banks is more open to question. In April the Anadolu Bankasi found itself being sued for TL 2.7bn (\$2.7m) by the Akbank for claims arising out of the debts of the Basak group.

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There is also worry at management of the system by the Central Bank. Plans for greater supervision and moves towards a standardised accounting system for all banks next year are applauded. But the Central Bank's nervous attempt to draw back foreign exchange holdings from the commercial banks after it became clear late last year that Iraq was not going to pay \$1bn of its debts to Turkey, led to a market scare this spring which ended with the reimposition of tight margins for foreign exchange sales—and the death of Turkey's embryonic foreign currency interbank market.

An injection of funds from the Treasury was needed to solve the dispute which saw Anadolu temporarily suffer the unprecedented humiliation for a state bank of the sequestration of some of its branches. Similar court cases from other banks are still pending.

The RUF is the first of its kind ever in Turkey and is hailed by Mr Ozyegin jokingly as "our consumers' check-up" proof that Yapi ve Kredi—which went through tough times in the early 1980s—is now enjoying the confidence of the international banks, however, remains Yapi ve Kredi's arch-rival, the Akbank, the flagship of the Sabanci Industrial group, and run with legendary firmness by Mr Erol Sabanci.

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The burden of non-performing loans from industry is said to be strinking—though at present no one knows the exact figures involved—but the profitability of many of Turkey's DEVELOPMENT projects such as roads and hydro-electric dams are already benefiting from the TL 250bn (\$250m) raised by the privatisation programme even before the big sell off begins.

The participation fund's first income has speeded up construction of 14 hydro-electric dams, said Mr Vahit Erdem, who administers it and several other funds. On average, the plants will come on stream a year earlier, saving a total of 200m kilowatt-hours annually to the national grid.

The housing fund is investing faster than planned, Mr Erdem said. In its first 18 months it has mortgaged 250,000 housing units for low income families of which 100,000 have been completed. This represented 60 per cent of all house-building and came in a market sector which could attract virtually no funds in the past. The fund is aiming for 800,000 units in its first five years of operation.

The fund, which is controlled by an appointed board rather than parliament, was set up by the Ozal Government to provide off-budget financing for development projects. State funds are tackling the shortage

of low income housing, poverty and expansion of defence industries. Some international agencies are concerned, however, that the novel financial arrangements will weaken the Government's control over fiscal policy.

Trade partners, however, are beginning to show displeasure at the levies and may challenge them under international law. Recently, Scotch Whisky distillers complained about a 100 (10p) per bottle contribution to the defence development fund.



The classroom atmosphere of the Istanbul Stock Exchange

Stock Market

Unruffled by slow start

TRADING ON the Istanbul Stock Exchange is a leisurely process. Seated behind a raised desk, an exchange official takes the 40 quoted shares in turn. A screen beside him, giving details of any lots of shares for sale or any purchase requests. Occasionally, a dealer seated at one of the 60 desks in front of him will raise his hand and a deal is closed.

The atmosphere is more that of a classroom than that of a market and turnover is low. In the month of April TL422m worth of shares and TL879m worth of company bonds were traded—a total of TL1.4bn or US\$2m.

Most of the licensed dealers are banks. They include Citibank, which has been told that it is not infringing the Glass Steagall Act's provisions restricting US banks' stock turnover in corporate stock seems likely to grow only slowly. Demand, in the form of public interest in stockholding, is limited, and there is a marked shortage of suitable stock.

A quick analysis of the 40 shares listed in the primary market shows that 87 per cent of their share are held by family members, banks or state economic enterprises. Only 13 per cent are held by the public at large.

Although Turkey's first Stock Dealers' Association was formed in 1864, operating out of the evocatively named Caviar building, in its present form the exchange only opened its doors in December 26 last year. As Mr Muharrem Karali, chairman of the exchange, says: "We are where Korea was in the late 1950s."

One problem has been the persistence of inflation and the high interest rates available on say bank deposits or Treasury bills. Another is that the majority of Turkish companies are family affairs and few have their accounts externally audited.

Now, helped by the International Finance Corporation, new legislation has been enacted and a Capital Markets Board has been established. Over-regulation rather than under-regulation is the order of the day.

Treasury bills amounted to TL182bn of the TL284bn worth of capital issues made in the first two months of the year and government bonds to TL20bn. The other major item was TL67bn of certificates entitling the holder to a share in the revenue from the Keban hydro-electric dam. Private sector stock issue amounted to a mere TL0.6bn and Bond issues to TL1.4bn.

The Funds

Public snaps up bonds

DEVELOPMENT projects such as roads and hydro-electric dams are already benefiting from the TL 250bn (\$250m) raised by the privatisation programme even before the big sell off begins.

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The public has continued to snap up the bond issues since the first one in December, 1984, pledged investors into the profits of the Bosphorus Bridge. The bonds carry a guaranteed rate of return over three or five years.

The fund's third main activity at the moment is the provision of low interest credits for development projects in eastern Turkey. But the fund must wait for the proceeds from privatisation before it can slip into top gear.

In contrast, the fund designed to tackle the country's chronic shortage of houses is well underway. Mr Erdem said. Its income of TL 500m last year came from taxes on petrol, luxury imports, alcohol and tobacco and from a TL 100 exit tax on Turks travelling abroad. Mr Erdem expects income of TL 650m this year.

David Barchard

Rod Oram

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1984	1985	Growth rate
US\$1,355,248	US\$2,031,313	96.49.88

SHAREHOLDERS EQUITY		
1984	1985	Growth rate
US\$81,746	US\$82,679	96.11.14

DEPOSITS		
1984	1985	Growth rate
US\$1,163,108	US\$1,799,612	96.54.72

LOANS		
1984	1985	Growth rate
US\$480,879	US\$837,942	96.74.25

NET INCOME		
1984	1985	Growth rate
US\$2,724	US\$10,605	96.28.89

All figures in thousands of US Dollars.

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DOW
Knowhow

TURKEY 6

Trade

Touch and go for exports as oil price falls

THIS YEAR will be touch and go for Turkey's so far highly successful export drive, as the fall in the oil price reduces the spending power of its three main Middle Eastern markets, Iran, Iraq and Saudi Arabia. Although Turkish officials are confident that the reduction in costs of their own oil imports will produce a balance in their favour, and that exports will hold up to the Middle East, their optimism may not be borne out in the end.

Negotiations are going on all present on the price at which Iranian oil is sold to Turkey, often as part of barter deals. At the same time, Iraq is understood to be asking for a deferred payment on its debts to Turkey. A similar request from Libya, which is already behind with its payments, is not unlikely.

The sums involved are substantial. Turkey exported goods worth \$2.5bn to the three Middle East oil producers last year, 31 per cent of total exports which amounted to \$8bn. Only the European Community was a larger market, with 39 per cent of \$3.1bn. West Germany taking \$1.3bn, or 17.5 per cent, of Turkey's total exports last year.

Imports from Middle East oil producers also made a significant contribution to the total volume of \$11.3bn in 1985. Iran, Iraq and Libya provided goods, mainly crude oil, worth a total of \$8bn last year. Turkey's crude oil import bill amounted to \$3.3bn last year.

Substantial savings, amounting to as much as \$1.2bn, are expected this year, and Turkish officials say that, although it is too early to say how badly the price fall will affect Gulf countries' import plans, there is optimism that the change may produce a net benefit to Turkey of \$400m to \$500m.

Officials argue that raw materials, food and industrial goods will still be needed in these countries. Nevertheless, they are looking elsewhere, especially in the Far East, for new markets.

Efforts to increase links with Japan appear to be paying off, with Tokyo taking part in a

World Bank co-financing for a \$750m hydro-electric dam project. Turkish banks have also recently made private placements in Japan of around \$50m.

Turkish officials point to Japan's involvement in the second Bosphorus bridge project, and in other energy projects, as evidence that their efforts are paying off. Total volume of trade between the two countries remained at the low level of \$550m last year, overwhelmingly in Japan's favour.

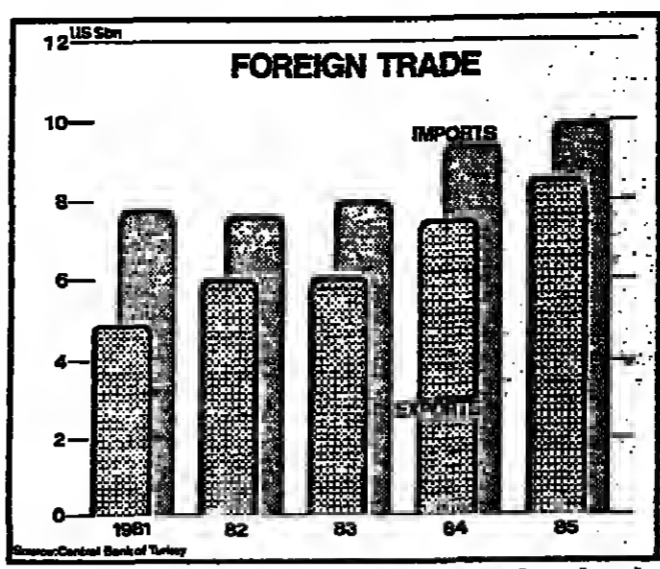
Turkey's trade problems with European countries look a turn for the better last month, when a new agreement was negotiated between Turkish textile producers and the European Commission in Brussels. Textile exports were worth \$1.8bn to Turkey last year, a fall of 4.8 per cent on 1984, but still accounting for 21 per cent of total exports, the largest single category.

Textiles have been a matter of dispute, leading to tariff and quota wars with the EEC for years; and the new outbreak of peace has been welcomed by both sides. The agreement allows for a margin of growth in Turkey's share of the market over the next three years of between 4 and 6 per cent, depending on the category of item.

Ankara has been far less successful in persuading the US that it should have a larger share of the US textile market than the \$80m it already earns. Turkish officials argue that the country is unfairly discriminated against, as a late entrant to the Multi Fibre Agreement, in favour of Far East producers like Hong Kong. Having such a small share of the US market should mean that Turkey is allowed a higher rate of growth, they say.

American officials argue that Turkey had increased textile exports to the US by 38 per cent in 1984, and that only eight categories out of 120 are restricted.

Apart from agriculture and livestock exports, worth \$1.7bn last year, a decline of 1.7 per cent in over the previous year,



A more liberal policy on imports and reduced spending power in Middle East markets spell challenges for Turkish firms in 1986. But new horizons have been opened up by the success of Turkish exporters since 1980

the third most important export items are iron and steel, worth \$968m in 1985, a growth of 68 per cent over 1984. That year had itself seen iron and steel exports increase by 41 per cent.

Much of these exports go to the Middle East, and this year will be very vulnerable to the dramatic fall in oil prices and the further flare-up in the Gulf war.

Although Iraq and Iran have attempted to continue development programmes during the war, the substantial fall in income they are experiencing has put a continuation of this policy in doubt. Protectionism in other markets will probably mean that Turkey will have difficulty in finding alternatives, and payments deferral in its trading markets may be necessary.

Along with Turkey's drive for higher exports has come a more liberal policy on imports, designed partly to encourage import duties by the state, more competitive, and also to assist the collection of higher state revenue. Profits previously going into the pockets of smugglers are now collected as import duties by the state.

The sight of Nicaraguan bananas and Roquefort cheese in shops has certainly been a new experience for Turks, whose economy was closed to most imports for many years. Liberalisation of imports now affects 77 per cent of goods which are now allowed free entry (subject, of course, to duties). The rest are likely

Privatisation

Hard decisions about targets

ADVOCATES OF radical economic restructuring will have plenty to mull over this summer when a weighty master plan for privatisation lands on their desks.

It is likely to present the Government with some difficult decisions about the targets and methods for selling off state economic enterprises (SEES).

The report by Morgan Guaranty, the US investment bank, is the final part of an extensive study of 36 SEES undertaken by foreign consultants and domestic agencies.

Armed with these analyses, the Government will try to implement Prime Minister Turgut Ozal's cherished ambition of removing the state from large areas of the economy. State-owned companies, for example, are responsible for some 40 per cent of industrial activity.

The first, as yet modest, monies from privatisation are already flowing into development funds to provide out-of-pocket infrastructure finance. Studies of the cement, textile and fertilizer sectors, and of Turk Hava Yolları, the national airline, are complete, although no decisions can be made until Morgan Guaranty presents its master plan.

Some broad trends are apparent, however. First of all, the efforts to bring private investors into Turkish Airlines have been badly bogged down in such problems as its form of incorporation, its future financing needs and its subsidised internal routes. These problems could be solved by the end of this year, enabling the sale of 10-15 per cent of its equity to its employees as a first step to privatisation. The early sale of USAS, its airport services subsidiary, is also a possibility.

The Government still wants to involve a foreign airline in Turkish Airlines, as either an investor or a contracted manager. There's plenty of scope for improvement in the company since its aircraft

average only six hours a week in the air and its workforce is heavily with 30-40 per cent. It is likely to be a long process, and it will be a long time before the state's textile industry holding company, which is a loss-making enterprise, can be sold.

Fortunately, the SEES had become more inviting investment prospects with a two- or three-fold increase in profits in recent years, and most of them would benefit from the privatisation programme. Virtually all companies are profitable, except for a few with a social role such as railways and shipping lines.

The Government says its financial losses, however, from giving up these profitable companies, said Mr Dogan Yurukan, Head of Research at the state planning organisation. "The state would benefit from the privatisation programme. Privatisation proceeds and rising tax revenues as the companies become more productive under commercial management."

Not all SEES managers and employees or officials in the Treasury, which controls the enterprises, are convinced of the benefits of privatisation. Some SEES are worrying, for example, about the rate of unprofitable subsidiary after profitable ones are sold off, according to two researchers in the Industrial Development Bank of Turkey.

The Government will launch a campaign to address these concerns and explain the benefits of privatisation once the master plan and sectoral studies have been digested, said Mr Erdem.

Rod Oram

Agriculture

Potential for much greater output

TURKEY, a country almost half as big again as France, has a wealth of microclimates which allow it to grow a range of crops from wheat to olives, from sugar beet to cotton and from nuts to tobacco.

It is one of the handful of countries that is self-sufficient in food and, despite the demands of its burgeoning population, its agricultural exports — \$1.7bn last year — account for nearly a quarter of the country's total.

With the Government's greater emphasis now placed upon the development industry, this is a much smaller proportion than it used to be — 15 years ago it was more than two-thirds. As a proportion of gross domestic product, the sector now accounts for about a fifth, although it remains far and away the biggest employer, utilising about half of the 18m workforce.

The potential is undoubtedly there for much greater output but in recent years the growth rate has fluctuated. It declined by 0.1 per cent in 1985, then rose by 3.7 per cent the next year and by 2.3 per cent last year.

To stimulate efficiency and restrain inflation, the Government has shifted policies away from heavy support for farmers and towards free market with more permitted imports. A wide range of foodstuffs, from French cheeses for the urban middle-class to staple crops like wheat, are now imported.

The Government sets the prices for about 20 crops and farmers complain that these are not keeping pace with the inflation in input costs such as seeds and fertiliser. "We could feed 100m right now if farmers were supported and prices and investment were right," claims Mr Osman Ozbek, president of the Turkish Chambers of Agriculture.

Farmers do receive subsidised credit through the Agriculture Bank and the Government is pressing ahead with irrigation projects, notably the Ataturk dam which will water the parched plain of Urfa, and with measures to improve seed and livestock quality. But there are few agricultural extension facilities.

"There is a level of complacency about the ministry's policies because the country has been self-sufficient," says an agriculturist. "Not all the efforts are well-directed. For instance, they are experimenting in growing coffee and kiwi fruit which are already over-subscribed on the world market. Bananas are grown in the south but they would be cheaper to import."

Many of the farming methods remain primitive and, although there is little subsistence farming, land reform to encourage more efficient production is virtually non-existent.

Farms range from family holdings with a few scattered fields and equally scattered sheep (Turkey has almost as many sheep as people) to some state holdings and, in the east, large fiefdoms with absentee landlords.

Higher production is only part of the agricultural equation and there is agreement that the quality, handling and marketing of food all needs to improve.

Mr Ozbek comments: "Turkish farmers can produce anything at best quality but someone—the customer—has to ask for it. Our problem is marketing. The standardisation of products needs to be improved and the cold storage and packing. We want to encourage agribusinesses—people are more willing to invest in industry."

There are developments: Turkish companies such as Yasar have opened big slaughterhouses and meat packing plants and international companies like Ross of the UK, which is involved in poultry production, and the Anglo-Dutch multinational Unilever have operations.

Unilever, in fact, set up the country's first margarine factory in 1953 and is now involved with the Dosan tomato paste and canned foods enterprise and, in a joint venture, with improving the yield and disease resistance of sunflowers.

The efforts to modernise Turkish agriculture do present a dilemma for the country. The surplus of cheap labour has provided a disservice: since 1979 there has been only a small decline in the agricultural workforce. "But mechanisation could destroy the rural economy," says an agriculture adviser, "with a danger of another massive move into the cities."

The Development Foundation of Turkey has been seeking to adapt aid to the needs of the small farmers. It provides financing schemes which, individually, farmers would be unable to obtain and, for example, has 500 poultry farmers organised in a venture which now produces one in five of all the country's broilers.

"We start with improvements to fodder crops, then cross-breeding and supplementary feeding of pregnant cows and veterinary services. Eventually, there should be more milk in the community. But the real test is what you do with the milk. So we move into the second area—milk collection and processing—and we have set up a number of creameries."

Roland Adburgham



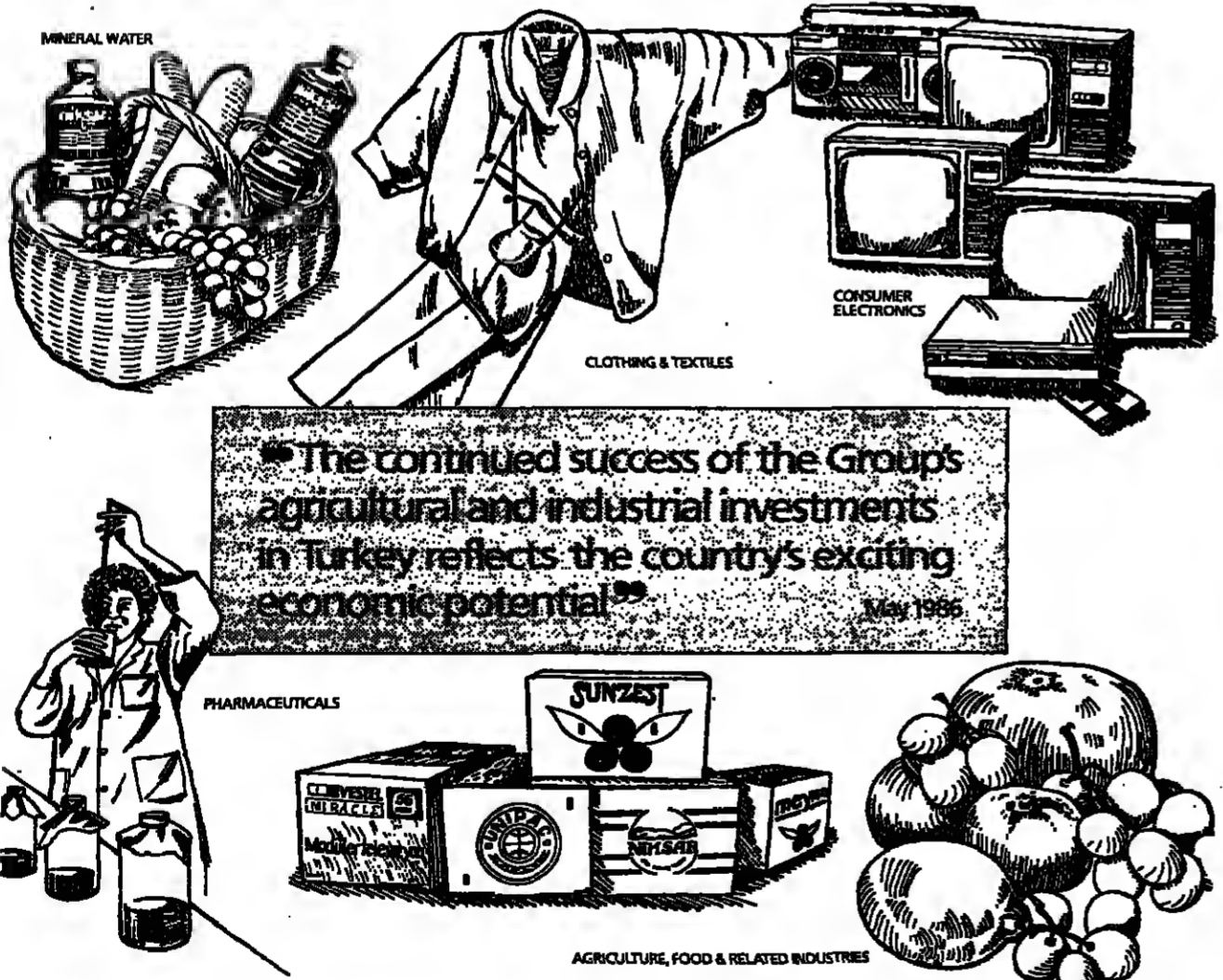
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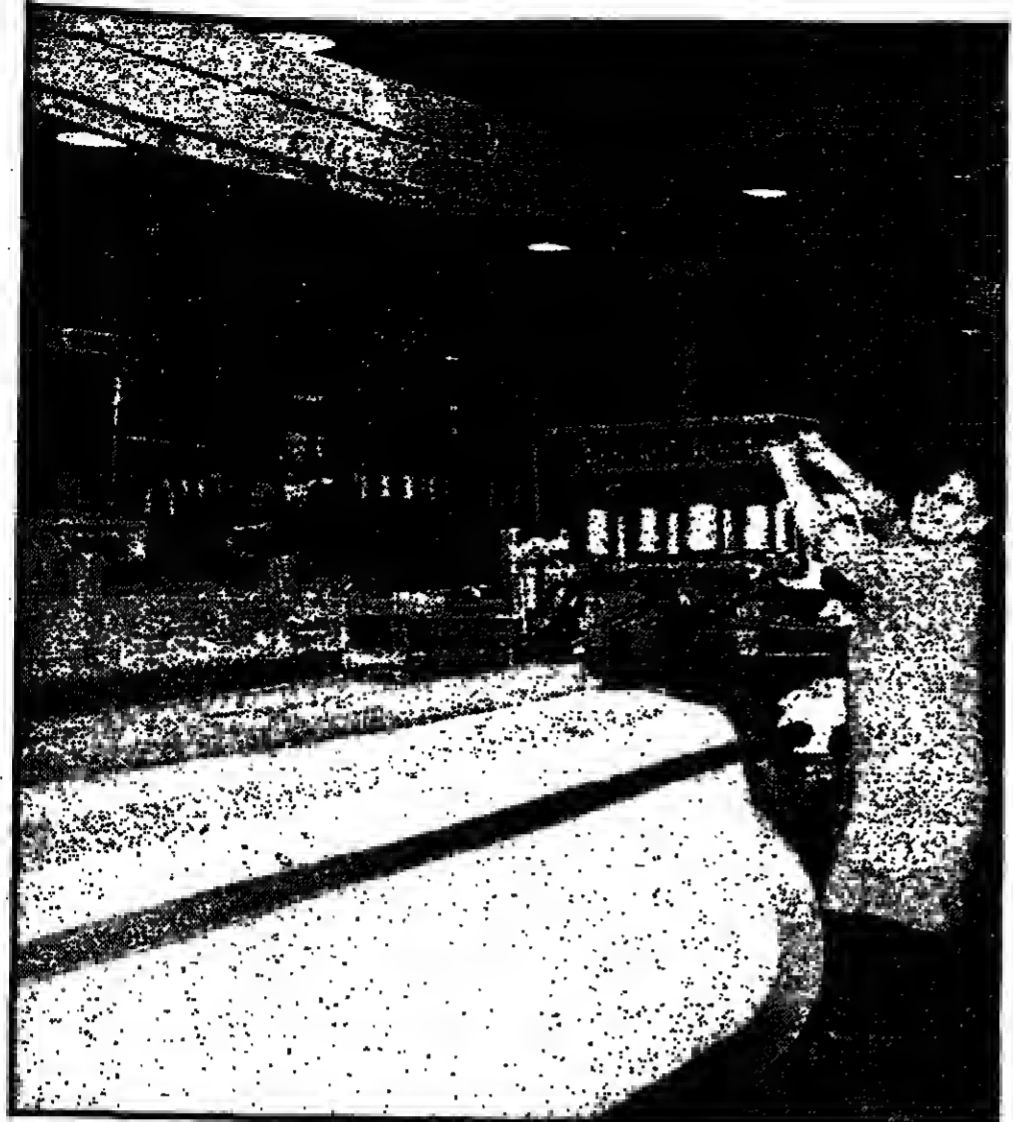
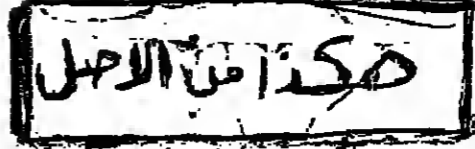
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Mensucat Santral textile plant at Kazlıcesme

Textiles

In the world's league of top exporters

EXPORTS OF Turkey's top 40 textile items last year reached \$1.5bn. For over a decade, as result of investment during the 1960s and 1970s, textiles has been the country's most internationally competitive industry—an achievement ironically recognised in decisions by the EEC, the US, and latterly Canada, to slap restrictions on Turkish textile exports.

Not all of the sector is strong, however. Turkey's most effective textile producers are mostly medium-sized private firms, turning out medium-quality goods for export. The country's largest producer, remains the state-owned Sümerbank, set up in the 1930s and for many years badly managed.

A new general manager brought in by Mr Ozal, Mr Erkan Tapan, is now trying to restructure Sümerbank prior to its possible privatisation. His achievements are hailed by most private-sector managers, but one of them says: "Mr Tapan has a lost cause on his hands. The assignment is too difficult."

Complex problems Sümerbank is not the only Turkish textile concern in difficulties. Several major producers, such as Güney Sanayii and most recently Faktas, have had to be rescued by the Government. Poor management, under-capitalisation and ill-timed purchases of foreign technology are cited by textile managers as root causes.

"They made every mistake in the book," says one manager. "They could be management students of what not to do."

The Ozal government seems to have pressed ahead with bids to salvage firms like Faktas, in order to avoid having to lay off large numbers of workers.

"This is not a good solution," says Mr Kudret Yazgan, of Bozkurt Mensucat, a vertically-integrated textiles producer belonging to the Koc Group. "Apart from anything else, it means unfair competition for the efficient producers who would otherwise not survive."

Below these ailing giants, however, come firms with the industrial muscle that has pushed Turkey into the top league of the world's textile exporters. Most are specialised producers, aiming largely at Western export markets. Though labour costs are well below those of the advanced industrialised countries of the West (Mr Halil Bezenen, of Mensucat Santral, a bedsheet and interlining producer with a consolidated turnover of \$70m a year, estimates that his labour costs are between a sixth and a ninth of those of his Western competitors) a continuous flow of investment is necessary. Mensucat Santral invested \$10m in

new equipment in 1984 and \$13.5m last year. Bozkurt Mensucat invested \$12m in 1984. With interest rates still soaring above 60 per cent inside Turkey, textile firms tend to borrow abroad when investing. Mr Bezenen uses one-year credits from foreign banks such as the Hong Kong and Shanghai or the West German Commerzbank.

"Even so," most quality Turkish producers tend to feel that investment by itself is not enough. Apart from taking obvious moves to cut labour costs and step up the use of labour-intensive technology, several are now exploring opportunities for partnerships or joint ventures with foreign firms.

Akin, an Istanbul-based printed material producer, says it has been approached by an unnamed international textile producer seeking a partnership in the past year. Mr Bezenen says he is interested in joint ventures for Terry towelling and non-woven interlining production.

Billboards across Turkey this spring have been proclaiming one new alliance—that between Altinyildiz, Turkey's top fashion producer, and Benetton of Italy, whose clothes are expected to make a strong appeal to better-off young Turks.

There is also increased emphasis on research and development. Istanbul's Marmara University now co-operates closely with leading textile firms, sending students on sandwich courses and offering advice on technical problems to firms.

The general feeling seems to be that Turkey's textile industry could easily improve on its present performance. "We are medium-quality producers," says Mr Yazgan, at Bozkurt, "but we have the capacity to shift to high-level products with some changes such as education transfers from western countries. The present overall level of \$1.5 to \$2bn in Turkey's textile exports could be doubled fairly easily with more technology and knowhow."

Mr Yazgan believes that western clients would ally themselves with Turkish producers to ensure access to markets in Western Europe and North America, where Turkey is battling with textile quota restrictions.

Turkish producers have three different patterns in marketing their goods. In the UK, they work through agencies. In the US, they tap the services of agencies, importers and producers, depending on the quality of the export. In other EEC countries, they deal directly with the buyers. Most rely on international market research reports, not just for their marketing strategy but also when planning investment.

Inside Turkey, retail chains exist, but the advent of Benetton is expected to trigger major changes, forcing some of the more sedate chains to improve their quality and marketing strategy. "We need real chain stores in Turkey," say an Istanbul garment producer, "like C & A or Marks and Spencer and Selfridges."

David Barchard

Mining More incentives for new investors

THE MINING industry has so far failed to attract the flood of investment which the Government had hoped to stimulate with a new mining law passed last year. To make matters worse, exports were stagnant in 1985 at \$299.6m, despite price rises in some of Turkey's main minerals.

The law was an attempt to streamline the aged and cumbersome bureaucratic control of mining while giving domestic and foreign investors more incentives to exploit the country's natural resources. Mining companies applaud many aspects of the new law, but say its attempted implementation is seriously flawed. The Turkish Miners' Association, which represents private sector mines, spells out its members' frustrations in a letter to Prime Minister Turgut Ozal in March.

Most important, no claim has been approved under the new law, according to Mr Namik Esmer, the association's secretary general. "This is mainly because tenders have been called only recently for a computerised claims administration system, on which the law is based.

Maps constitute another stumbling block. The new system defines claims by co-ordinates on 1:25,000 scale maps, replacing the previous delineation by landmarks. It remains, however, for anyone in the private sector to keep such maps because of their supposed military value. Last year a surveyor was jailed briefly for this offence, Mr Esmer said.

Miners are also unhappy that they are paying into the Government's new mine finance fund, even though no regulations are in place for disbursement of the money.

Meanwhile, the main public sector mine developments are making slower than hoped-for progress under the supervision of Etibank, the state bank responsible for the sector. All the projects were initiated before the new mine law was passed.

"Foreign partners have taken longer than we expected to assess the deposits and Turkey's investment climate," said Mr Hilgin Kaynar, director of Etibank's projects implementation division.

Both domestic and foreign mining companies remember the industry's nationalisation in 1978 by the then socialist government. Thus, given the long time-frame for mine development, foreign investors have indicated "from time to time, worries about a change of government at the 1988 elections," a senior government official said.

Of the four largest Etibank projects under investigation, the most advanced is the Cayeli copper prospect at the eastern end of the Black Sea coast. A feasibility study was recently completed and a decision on an investment of some \$100m could be made by the end of the year. The partners are Phelps Dodge of the US (49 per cent), Etibank (45 per cent), and Gama Endustri of Turkey (6 per cent).

Exploration work is under way at two other projects: the



Dr Suha Nizamoglu general manager of Etibank

Siirt copper prospect, near Lake Van in Eastern Turkey, in which Freussag of West Germany is Etibank's main partner, and the chrome prospect in the Bursa area of North-west Turkey, in which Egemen of Turkey (40 per cent) and Bomar resources of the US (30 per cent) are Etibank's partners.

Etibank has signed a framework agreement for a natural soda mine at Beypaazari, near Ankara. It has taken a 35 per cent stake. FMC of the US also

owns a subsidiary of the World Bank, 10 per cent. Etibank is still trying to attract Turkish private sector investors for the remaining 20 per cent. A second round of exploration on the prospect will not be completed before mid-1987.

These projects were part of a group of seven which Etibank tried to initiate. Two have quietly fallen by the wayside. Etibank wants to see the five live prospects develop further before it offers a second round of prospects to foreign and domestic investors, Mr Kaynar said.

Exploration work is continuing, however, under MTA, the state exploration agency. It is looking particularly for chrome deposits, because price and demand have risen markedly in the wake of political unrest in South Africa, the world's leading supplier. Turkey's existing deposits account for about 5 per cent of world chrome reserves, said Mr Kaynar.

Turkey also needs more deposits because it is trying to benefit from further processing of the mineral. The Government is tripling the capacity of its plant at Elazig to produce 150,000 tonnes of ferrochrome a year. When the expansion by Elkem of Norway is completed, late this year, the plant will take about 500,000 tonnes of chrome ore a year, which is roughly the volume Turkey exported last year.

MTA is also looking for nickel and manganese, the latter so that local industry can upgrade to ferromanganese. But Turkey's mineral potential remains something of an enigma.

Consequently, MTA's exploration expertise is criticised by many in the private sector.

"MTA is good at core drilling, but I don't believe it is using satellite and computer technology for general exploration," said Mr M. S. Ozal, president of Bilfer Mining, Turkey's largest private sector mining company.

Until better geological and physical maps are completed by the Government, the sector will be hobbled, he said. Furthermore, MTA must be more willing to share its knowledge. It refuses, for example, to disclose reserves data gathered at one of Bilfer's mines during the 1978-82 period of nationalisation.

Despite current obstacles, Bilfer remains optimistic about the sector's longer-term prospects and is actively pursuing foreign partners to help it develop its deposits of chrome, asbestos, iron and other minerals.

The question of Turkey's true mineral potential draws disparate answers. Optimists say vast deposits await discovery. Pessimists say many prospects are at best only marginally economic.

But perhaps the truth is that Turkey is "rich in small scale deposits of low-value minerals," Mr Ferid Krimmer, an Ankara consulting mining engineer, wryly suggested.

The country will never know, however, until it implements properly the new mining law and improves its exploration methods.

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Trade Unions

Hope for relaxation of law

ALMOST SIX years after the military intervention in Turkey, the trade unions remain shackled by laws which not only circumscribe their organisational and strike but forbid political activity.

The weakness of the unions and their lack of effective sanctions has permitted the Ozal Government to discount their opposition to its economic policies, in spite of hardship caused by high unemployment inflation and, for most workers, a fall in real wages. For the first time, though, there are possibilities that the Government may consider some relaxation of union laws.

A committee of the International Labour Organisation (ILO), the Geneva-based agency, is considering a response by the Turkish Government to criticism (Turkey was a signatory in 1952 to the ILO convention on the right to organise and to collective bargaining.)

A mission from the ILO went to Turkey at the invitation of the Government to discuss law changes with the Ministry of Labour and employers' representatives. Mr William Simpson, member of the mission, says the authorities had been co-operative.

"I have rarely seen a government so sensitive about its international image," he says.

That image suffered badly after the military takeover when union activity was not only suppressed but many unionists arrested. There were allegations of beating and torture. Disk, the militant left-wing union confederation, was suspended and at one stage 52 of its members faced the death penalty. A total of 1,447 people were charged.

Restrictions were not eased by the laws 2821 and 2822 passed in 1983 on collective bargaining, strikes and lock-outs. To have the right to represent workers, unions must have at least 10 per cent membership within an industry and 50 per cent at a particular workplace. As a result many wage awards are imposed rather than negotiated.

"The 1983 laws are a reaction to what happened before the military takeover" (when there was a record number of strikes in an atmosphere of political violence), says a labour observer. "The Government still has a phobia about that and it will go on for a long time."

The death charges against Disk members have been dropped and all have been released from prison... but some trials are still continuing. The latest news of the proceedings is interpreted by left-wing unionists as a reminder to keep in line.

"Disk was just a militant union—it had nothing to do with terrorism but it was itself a target of terrorism," one of the accused claims. "The trials have been used as a pretext to threaten and frighten people."

Disk remains suspended, with its considerable assets in the hands of a court-appointed trustee. With its 38 affiliated unions, Disk is the largest confederation in the country. It claims to have 1.5m mem-



Sevkettin Yilmaz, the charismatic president of Turk-Is

bers, or about 60 per cent of union members. After the military clampdown, it was allowed to resume activities and has been accused of too-ready compliance with government policies.

"Turk-Is was more than twice the size of Disk but it had no effectiveness, neither politically nor as union leaders," claims a former Disk researcher. "There were no protests when the trials began—six times it sided with the military."

Mr Sevkettin Yilmaz, the charismatic former miner who is president of Turk-Is, denies that it has been acquiescent. "Turk-Is and its affiliated unions have made every attempt to protect free trade unionism and its principles in Turkey," he says. "We are trying to implement everything we can while staying within the law."

He accepts that this is subject to severe limitations. There can be no general strike in Turkey and strikes are also banned for state white-collar workers such as teachers, and state officials such as police. Sectors which cannot strike have been extended to include coal mining, electricity, gas, water and transport.



Returned migrant Recep plays with his children in an Ankara suburb

Migrants Returning from Germany

Back to school for adjustment

RECEP, ADNAN, Ahmet and Esin are four Turks belonging to families recently returned from Germany. It is unlikely, however, that if they pass in the street they will realise that they have anything in common.

Recep and Adnan went, at the age of 18, to Stuttgart to join their father, and worked in a metal smelting factory.

Though they learned fairly fluent German (unusual among first-generation migrants), their time in Germany had little impact on their lives. Their women wear traditional Anatolian head-dress and costume. They live in an extended family group, in a shanty-town cottage, or "gecekondu" as the Turks call it, on the edge of Ankara.

Ahmet and Esin went when he was 24 and she 20. He had just qualified in Ankara as a doctor, and worked in the hospital of a small town south of Frankfurt. They now live in a middle-class quarter of Ankara, and send their four-year-old daughter to the German Embassy creche.

Though Ahmet went to Germany with many hostile preconceptions, widespread among Turkish intellectuals, (he is still a reader of the left-wing daily Cumhuriyet) and Esin returned, well satisfied. "We never felt any real xenophobia," they say. "We lived in a small community and were very happy. Possessing the title of doctor was important, of course."

Ahmet admires many things German, particularly the ability to order things and obey rules. "If you live in a foreign country, you have to learn what its rules are and stick to them. We did that in Germany and we never had any problems." He and Esin say they returned home basically because their daughter was approaching school age, and they would

have to make a final choice about whether they belonged to German society or not.

"And I must admit," says Esin, "that I don't think things would be so easy for our daughter when she got into school. 'Türkenkind' (Turkish child) is not said in a friendly way. I was worried about whether she could fit in."

Recep and Adnan seem to have felt that they could never fit into German society, though initially both made efforts to learn the language; and they remain friendly with their teachers, writing letters to them and inviting them to Ankara.

Unlike Ahmet and Esin, who, like most upper-middle class Turks, were not religious and have no scruples about eating pork, Recep and Adnan were not prepared to compromise with German customs.

"No matter how hard we try to get on with the Germans, it is impossible, because our traditions, customs, and way of life are quite unlike theirs," they say.

Both brothers had lived in Turkey until they left school in their mid-teens. Their family — by then living in Germany but keeping them in Turkey, because it was cheaper — may unconsciously have condemned them to failure as unqualified workers in an alien society which sets great store on training and education.

"When we arrived," say the brothers, "we didn't know what our rights were. When we found out and tried to claim them, we immediately came into conflict with the Germans." They claim that they were paid at lower rates than German workers, and sometimes discriminated against by being forced to work with Greeks. They also claim that the German police are harder on Turkish workers than the rest of the population, searching

are set by a tripartite committee of Government, employers and unions.

Mr Yilmaz says: "Employers and Government can come together very easily and out-vote us. The Government and employers say the wage should be based on the needs of the person who works. But it is never enough for a whole family."

Turk-Is has held rallies in protest at Government policies and there are plans for "silent marches" in some cities this summer. Sceptics claim that this is more to mollify the workers than to put pressure on the Government, although they agree that Turk-Is is making more vociferous demands for labour reforms.

"The Turk-Is leadership realises that its rank and file is not very happy with it and is suffering from the fall in real wages," says a union observer. The Turk-Is leadership faces a crucial test in December when it will be up for re-election at the confederation's first congress for three years.

"The delegates will have to consider tactics to deal with a government that shows no propensity to deal with the unions," says a labour organiser.

Mr Yilmaz says: "I try to emphasise that the existing laws to the labour movement are not good enough for workers' rights. If the Government believes in free trade unionism and wants to have better living standards in Turkey, it can make the necessary changes."

Some observers believe the Government will make minor concessions before the Turk-Is congress, either through pay awards due for 700,000 public sector workers or through legislative amendments. This would be partly to reassure international critics that progress was being made, but to strengthen the hand of the existing Turk-Is leadership and outflank the more militant unionists.

"If the Government maintains very restrictive legislation, it may push the unions towards illegality," says a union observer. "It would be very astute politically to liberalise a little bit more."

Roland Adburgham

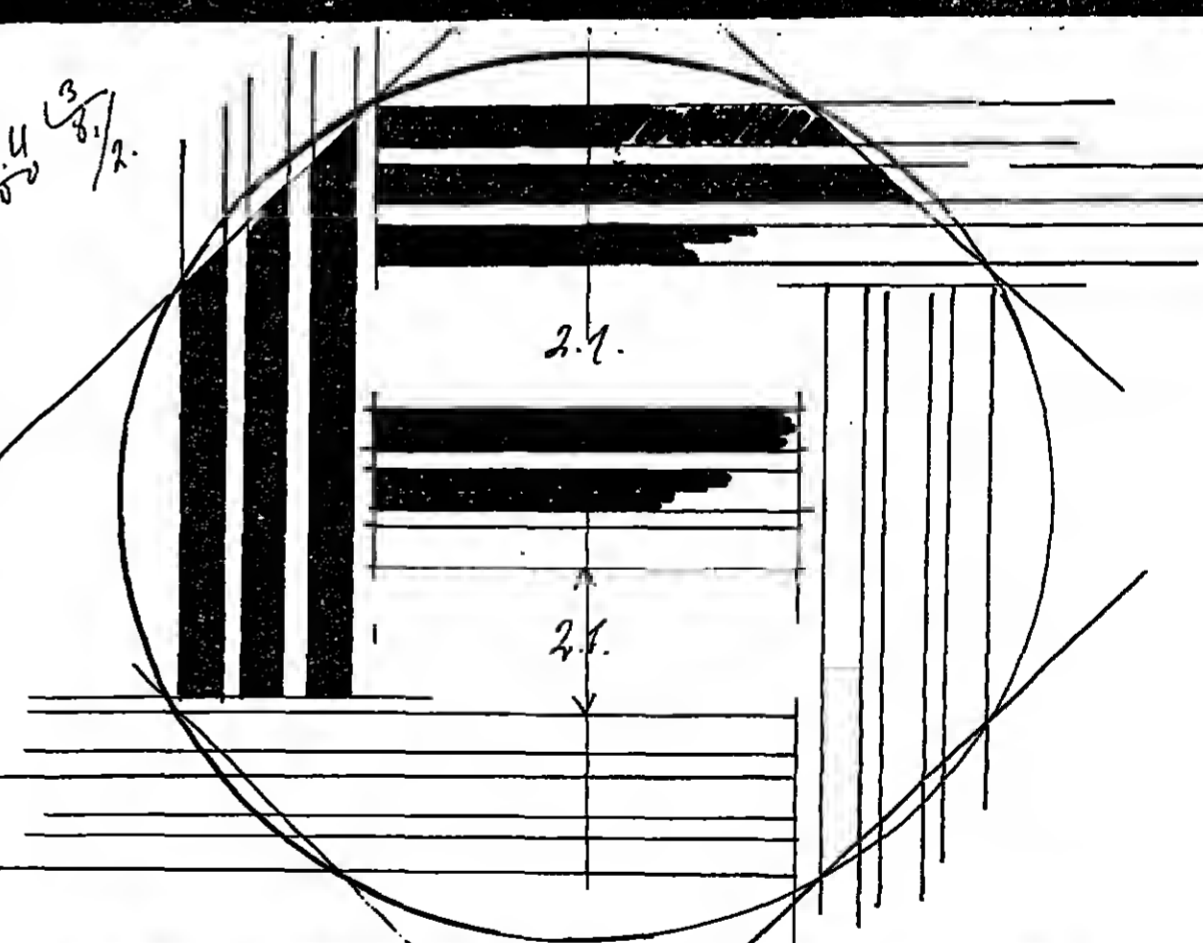
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TURKEY 12

Population

Birth rate will continue to rise

WHEN THE Turkish republic was formed in 1923, only 13m people lived in the war-depleted country. Such was the official anxiety that there were bonuses and medals for large families. Preliminary estimates of the 1985 census show the population is 51.4m and it is expected to reach 70m by the end of the century.

The anxiety now is too much rather than too little growth. It has climbed from just over 2 per cent in 1980, to an estimated 2.9 per cent to the latest census. But the 1980 figure, taken at a time of political turmoil, was probably too low and the 1985 figure may be too high. Even so, the rate is still above 2 per cent — or more than 1m extra people a year.

Although the population density is still less than a third of the UK, the rapid increase is putting heavy pressure on infrastructure, schools, housing and employment. With about 20 per cent of the workforce unemployed, Turkey can no longer rely on exporting surplus labour (more than 1m work abroad but the number has stabilised).

The highest birth rates are in the rural east and there is a continual migration to work in the cities. In 10 years Ankara has tripled in size to almost 3.5m and Istanbul has grown from 1.75m to 5.3m. More than half the country's population now live in towns.

Official concern has been slow to materialise. It was not until 1965, when the population was 31m, that contraception was legalised, and abortion and sterilisation were banned until 1983. Successive governments have fought shy of making family planning an issue, fearing it to be too controversial although it is permitted by the Islamic religion.

In 1969, a World Health Organisation seminar in Ankara on birth control was broken up by protesters.

"Extreme rightists say we should have 100m people. Extreme leftists say there is a western imperialist plot—the Americans are trying to restrict the population," says Mr Engin Ural, secretary-general of the Environmental Problems Foundation in Turkey.

"But decision makers should be brave enough to be realistic. For the sake of our country we should control this growth."

One political factor is that, should Turkey apply to join the EEC, there might be opposition if the country is likely to dominate through the size of the population.

The Institute of Population Studies at Hacettepe University in Ankara says there has been an increase in the use of contraceptives. A 1983 survey showed that nearly 62 per cent of married women used some method, although more than half were traditional and unreliable methods.

"Many women want to have only two or three children," says Professor Dr Ergül Tunçbilek, the institute director. "Because of the lack of contraceptive services they will have three or four more than they would like."

There has been a small decrease in fertility but not as big as expected. On average, a married woman aged between 45 and 49 has had no fewer than 6.84 completed pregnancies, of which 1.17 were aborted or stillborn.

In rural areas, women have two more pregnancies on average than women in cities; and in eastern Anatolia, women have more than nine children on average.

The population will double in 33 years, Prof Tunçbilek says: "We may have enough food but not enough industry, schools, hospitals and health facilities."

"Nearly 40 per cent of our population is below the age of 15. It is impossible to stop the increase because of the very young population."

President Kenan Evren—who says flatly that population growth is too high, helped to launch a contraception campaign backed by the Ministry of Health and Social Welfare. Over the next two years, the state radio and television will run regular items on family planning and mother and child welfare.

The family Health and Planning Foundation, formed four months ago with support from industrialists, is helping to set up projects like clinics at factories and hospitals.

There have also been campaigns to encourage immunisation and to curb gastro-enteritis in babies. Turkey's high rate of infant mortality—more than 100 deaths per 1,000 compared with 16 per 1,000 in neighbouring Greece—is blamed on bad hygiene, contaminated water and lack of proper feeding.

In rural Eastern Anatolia, nearly a quarter of children die before reaching adulthood.

"We have to convince people that if they take good care of their kids, they will not die," says Mr Yasar Yaser, director of the Family Health Foundation.

Mr Yaser accepts that the implementation of the 1965 family planning law has been awkward. "The responsibility lies with the Ministry of Health. It is willing but not able, for financial reasons."

"They do not have enough personnel, they do not have enough trained nurses and midwives, and many of the ministry people are hesitant to go to the east; they do not like to live there."



A balloon seller in Sezade Park

Tourism

Potential starting to be realised

TOURISM IS one of the great under-developed resources of the Turkish economy, and its potential as a foreign currency earner is only just beginning to be realised.

There are few countries left in the world, and virtually none in Europe, with such large and beautiful stretches of unspoilt coastline, coupled with a balmy Mediterranean climate. This gives the country's western and southern regions a tourist season of at least eight months.

But it is not just the romantic coves of the Aegean, and the long sandy beaches of the Aeolian region, that make Turkey into a tourist paradise. Its geographical position as the bridge between Europe and Asia, and its long and infinitely varied history has left architectural and artistic traces that would make even the most diligent "culture vulture" many visits to the country to explore.

The superbly preserved and restored site of Ephesus on the Aegean, a city founded by the Ionians, which later became the Roman capital of Anatolia with a population of 200,000, is one of the archaeological wonders of the world. Yet it is only one among many Greek and Roman settlements, the remains of which can be found dotted along Turkey's western and southern coasts.

However, undoubtedly the greatest tourist attraction of all is the city of Istanbul, formerly Constantinople, that fascinating hinge between East and West which, at every corner, betrays its mixed Christian and Islamic past.

The tourist is offered such a rich diet of attractions in Turkey that it comes as a surprise that so little has been done in the past to develop adequate facilities for foreign visitors.

Until Mr Turgut Ozal, the present Prime Minister, came to power after the military coup of 1980, the Turks were content to do business behind high protective walls and were not geared to satisfying the demands of foreigners.

All that has changed with the opening by Mr Ozal of the Turkish market to foreign competition and the strong emphasis that has been placed on international trade as the means of achieving economic prosperity. Tourism is now seen by the authorities as one of the major growth areas of the economy; and a great deal of ground has to be made up if Turkey is to

compete with such successful operators in the field as its neighbour and rival, Greece.

The demand is certainly there, as the rapidly rising revenue from tourism over the past few years shows very clearly. According to the official figures, foreign exchange receipts from tourism grew from as little as US\$52m in 1970 to \$1.5bn in 1985, though independent sources put the figure at several hundreds of millions of dollars lower than that.

Even if the more conservative statistics are accepted, the net contribution of tourism to the balance of payments was somewhere in the region of \$800m to \$900m last year and thus played a crucial part in bringing down the current account deficit from \$1.4bn in 1984 to an estimated \$1bn in 1985.

The problem is not one of attracting more tourists but of providing enough accommodation.

Tourist arrivals in Turkey, which stood at a little more than 1m in 1974, rose to more than 2m a decade later, and last year jumped to 2.6m. The estimate made by the Ministry of Tourism for arrivals in 1986 is more than 3m, but whether the available facilities are sufficient to absorb the increasing numbers is not so certain.

The total tourist bed capacity of Turkey is still only 68,266, substantially less than that of the neighbouring Greek island of Rhodes alone. Istanbul, though endowed with large Hilton and Sheraton luxury hotels and a few other first class hotels, is woefully short of tourist and, indeed, business accommodation, while Ankara, the capital, has no more than one hotel in the luxury class.

Considerable efforts should be said, are being made to remedy these deficiencies. New hotels are under construction or planned for Ankara and Istanbul.

The Ministry of Tourism, which has set itself a short-term target of some 130,000 beds by 1990—double the present capacity—and a timeless long-term objective of 600,000 tourist beds, is promoting several major tourism development projects as a priority.

The most important of these is the South Antalya project in southern Turkey, covering a 75 km coastline of long sandy beaches, pine forests and fine archaeological sites.

The infrastructure for the development of the area is being financed partly by the World Bank. The Club Mediterranée, in association with several Turkish partners, is already operating a holiday village on a prime site at Kemer. Club Robinson, a German/Swiss joint venture,

with Turkish participation, and Club Safari, a Belgian joint venture with the Turkish Tourism Bank and a Turkish private partner, have also recently opened vacation villages in the region.

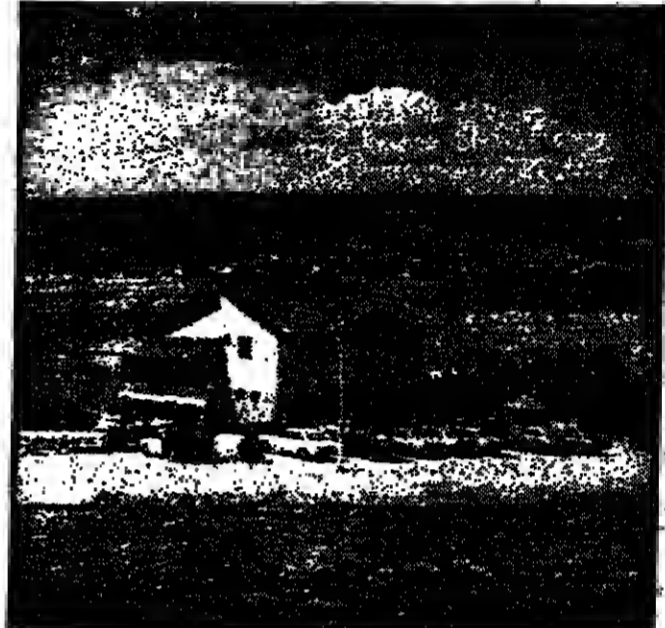
Among other major foreign investors in tourism projects in Turkey are British Petroleum, which owns and operates "vacation" camping sites adjacent to KP petrol stations, Trusthouse Forte of the UK, which is converting the ruined Cragan Palace on the Bosporus into a 300-bed hotel at an estimated cost of \$60m, and United Breweries of Denmark, which is involved in a hotel joint venture at Cesme.

The incentives offered to foreign investors in tourism projects are attractive, on condition that their schemes promote the economic development of Turkey, as judged by the authorities, and that they are open to Turkish private enterprise. In addition, foreign investment must total at least TL 40m in "priority" regions and TL 50m in other regions, in order to obtain the broad Tourism Investment and Investment Encouragement Certificates.

The main incentives given to foreign capital at the investment stage are exemption from customs duties and other taxes, including VAT on imports of machinery and equipment, and exemption from taxes and duties on medium and long-term credits from local or foreign national sources. In addition, up to 100 per cent of fixed investment costs are deductible from company tax and cash grants of between 7 and 20 per cent of fixed investment expenditure can be obtained from a special fund in the Central Bank.

Further incentives are available during the operational period, including exemptions of customs duties and VAT on imports of raw materials and semi-finished goods, income tax exemption of 20 per cent on foreign exchange earnings and a rebate of up to 4 per cent of such revenues.

Most important of all, perhaps, Turkish law guarantees the repatriation of capital and profits abroad in the national currency of the investment and at the rate of exchange at the time of transfer.



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INTERNATIONAL BONDS

Interest rate fears put floating-rate notes back in fashion

FLOATING-RATE notes are back in fashion, syndicate managers declare, writes Clare Pearson in London.

This is mainly because investment managers are becoming fearful that interest rates may rise. Floating-rate notes represent the traditional hedge when fixed rates are at their lows.

The floating-rate note (FRN) sector fell from favour at the end of last year after a spate of tightly priced deals led to disillusionment among investors.

Now paper is suddenly in short supply, and expectations are that it will grow still shorter since France has announced its intention of pre-empting the \$1.5bn loan from the EEC which was funded by a floating-rate note.

That has created an opportunity for borrowers to return to the market, especially if they are sovereign

names, which are still more popular with investors than banks.

Morgan Guaranty launched a \$300m, 12-year bond for the Republic of Ireland on Friday morning. This issuer, however, is hardly the market's favourite, and Ireland looked a little greasy with its interest rate set at the mean of the bid and offered rates for six-month Euro-dollar deposits in London, even though its deal is not callable for the first five years.

Dealers stress that investors are still selective. Issues for, say, Belgium and Sweden are now trading at levels that yield up to seven basis points below London interbank offered rate (Libor). Investors demand a differential over Libor for lesser credits, however.

Morgan Guaranty said Ireland's terms corresponded with an outstanding deal for Italy, which also has five-year call protection and is now trading slightly over par.

Yet dealers expressed great surprise at the terms of Ireland's bond although the borrower said it had received bids from other issuing houses at similar levels.

Ireland's bond was quoted in the market at 99 1/2 bid though this suggested the firm hand of the lead-manager. One Japanese co-manager said that Japanese institutional investors found its terms "out of the question."

Morgan Guaranty is launching an FRN for Banco di Roma early this week, and dealers were crossing their fingers on its terms on Friday afternoon. Meanwhile, issues such as New Zealand's bond continued to trade well.

The fixed-rate Eurobond market continued in poor health last week under the influence of a weak US Treasury bond market. New issuing activity slowed noticeably, but the volatility of US government bond

markets last Wednesday ensured that some of the bonds that did appear were exceptionally badly timed.

Goldman Sachs International's \$100m 10-year fixed-rate deal for the Republic of Austria was one such luckless issue. It was priced initially at a margin net of fees of 22 basis points over the US Treasury bond yield curve.

A sharp downturn in prices of US government stocks pared the already slim differential to about eight basis points by close of syndication. The bond was quoted in the market at the end of the week at a discount to issue price of 4 1/2 per cent.

Also badly timed were Wednesday's three Australian dollar deals, launched in the wake of a speech by Mr Paul Keating, federal treasurer, who warned that Australia was in danger of becoming a "third-rate

economy." Chrysler's A\$50m bond accordingly traded immediately well outside its commissions.

The Bulldog market reopened last Tuesday, secure in the knowledge that 1/2 per cent stamp duty will not be imposed on these issues, as was threatened in the budget speech.

S. G. Warburg launched a Bulldog for the Republic of Portugal by way of a placing rather than an offer for sale, which is normal for sovereign issues in the UK domestic market. In this respect, the bond anticipated the removal of fixed-rate commissions from Bulldog bond trading, expected during the summer.

The offer for sale route has enabled issues for sovereign and state-backed names to obtain the slimmest secondary market trading commissions, since it entitles them to be treated in the same way as gilt-edged stock.

This adds trading liquidity and

can result in investors accepting lower new issue yields than would otherwise be the case.

But the offer for sale route is both costly and cumbersome. Fees are higher and a prospectus has to be published. With the abolition of dual capacity trading in the Bulldog market later this summer, the extra trading advantage will no longer be worth this effort, since trading commissions on all Bulldog issues will be freely negotiated.

The Ecu and D-Mark sectors continued to trade thinly. The D-Mark sector was particularly depressed on Thursday after Mr Karl Otto Pöhl, Bundesbank president, said that a cut in West German interest rates would be linked to the D-Mark's level in the European Monetary System. Since it is currently near the bottom of the range, this made rate cuts look remote.

Some investors are re-channeling funds into the French franc

sector, which offers high yields and a strong currency. A new FFr 700m deal for Japan Air Lines traded well last week, despite the fact that dealers initially thought its 7 1/2 per cent coupon and 100% issue price tight.

EUROMARKET TURNOVER
Turnover (\$m)

Primary Market	Secondary Market	Cash	FRN	Other
US\$ 6,443.5	2,308.9	391.3	928.8	386.5
Prev 5,285.1	1,471.5	422.2	627.5	254.5
Other 4,583.2	1,134.8	1,134.8	23.5	13.5
Prev 2,720.0	1,471.5	928.8	2,308.9	2,308.9
US\$ 23,143.1	1,295.1	8,678.3	2,731.7	2,346.8
Other 8,488.3	104.5	1,180.7	2,846.8	3,059.9
Prev 10,645.2	225.1	1,092.5	3,059.9	3,059.9

Week to May 15 1986 Source: AIBD

Zurich to extend trading in equities

By John Wicks in Zurich

THE Zurich stock exchange intends to open a fifth trading floor by next Spring. According to Dr R. T. Meier, bourse director, this will permit an extension in domestic equity trading.

With the additional floor, which is to be installed provisionally in a neighbouring building, Zurich will be able to carry out business in Swiss shares in two separate rings. One of these will serve as a continuous market for 20 to 25 leading equities of international significance, the other for traditional dealing in other Swiss shares.

It is "conceivable" that a sixth trading floor will be added later, said Dr Meier, though he stressed that no concrete plans for this yet exist. The Zurich exchange expects to move into new premises at about the end of 1991.

In the meantime, fixed-term forward trading is soon - probably on July 1 of this year - to start in warrants. This is seen as an initial step towards the introduction of traded options, which will take place at the end of 1987 or later.

EURONOTES AND CREDITS

GMAC move could boost expanding Eurocommercial paper market

GENERAL MOTORS Acceptance Corporation (GMAC), the largest issuer in the US commercial paper market, is riding into Europe. It has appointed four banks to act as dealers in a Eurocommercial paper programme that could build up to as much as \$2bn, writes Peter Montagnon in London.

The programme is likely to be one of the largest yet and could give a large boost to the fast growing Eurocommercial paper market.

"We feel that this paper will eventually represent the corporate benchmark in the same way as Sweden represents the sovereign benchmark," says Mr Rawie Michelson of Morgan Stanley, one of the dealers appointed.

Selling of commercial paper is expected to get under way on June 24. GMAC will offer paper in minimum denominations of \$500,000 and with a maturity of up to 183 days.

It has no preconceived idea of the amount it expects to raise, but Mr Robert Almon, its vice-president for borrowings, says GMAC should be able to achieve the same share of the Eurocommercial paper market as it does with its commercial paper in New York.

In New York its outstanding, which have risen by 80 per cent to \$32bn in the last 18 months, now account for some 10 per cent of the total market. Based on an estimated \$20bn outstanding in the Eurocommercial market, that implies a programme of some \$2bn for GMAC alone.

That would be a programme large enough to create a market for the first time with real depth and trading liquidity. The hope is that this will attract new buyers into the market, fueling the growing interest in Eurocommercial paper among non-bank investors.

Mr Almon says GMAC's decision

to tap the Euromarket was in no way a function of concern that it had reached its effective borrowing limit in New York: it was a genuine attempt to attract a new investor base for its paper.

GMAC, which is known for negotiating the terms of its bond issues in the Euromarket rather than inviting potential lead managers to bid for the best rate, has also adopted a measured approach in the Eurocommercial paper market.

It wanted to avoid encouraging its dealers to engage in competitive macho bidding, regardless of whether they can place the paper they acquire.

So it is paying the dealers in its paper - the other three are Credit Suisse First Boston, Merrill Lynch and Shearson Lehman Brothers - a commission to take over the agency function of distributing paper based

on rates posted continuously by itself.

"GMAC is interested in developing a long-term relationship with investors," Mr Almon stresses.

If it succeeds, bankers hope this will lead an aura of established respectability to a market that so far still retains a flavour of the experimental.

In a separate move Euronote and commercial paper dealers have now collectively agreed trading rules, which, said Mr Kevin Regan of Merrill Lynch on Friday, should also help inspire the confidence of investors.

Yet GMAC is also taking something of a gamble. One of the big uncertainties in the Eurocommercial paper market has always been the degree of actual investor demand for short-term paper.

The idea is that its programme should, through its very existence,

stimulate such demand because it offers flexibility and liquidity that were not available before.

As one banker put it at the weekend, the problem has always been finding investors rather than borrowers. With GMAC looming from next month the chase is well and truly on.

Meanwhile Statoil, Norway's state-owned oil concern, has launched a \$300m, eight-year loan facility through Salomon Brothers. This deal has nothing to do with balance of payments financing for Norway, expected following the recent change in government, devaluation and the decline in oil prices. Instead it will be used to refinance existing borrowings, including a \$100m facility arranged for Statoil by Salomon in 1984.

However, the terms suggest that Norway's credit standing is still high. The deal will bear an annual

facility fee of 5 basis points for the first five years, rising to a 6 1/2 points thereafter. Drawings on the accompanying standby credit will bear interest at a margin of 1/2 per cent over Libor (London interbank offered rate for Eurodollar deposits), with an additional utilisation fee of up to 12 1/2 basis points, depending on how much is taken.

SG Warburg and Banque Paribas have launched a £200m facility for France's Compagnie Bancaire, which finances trade. The five-year deal allows the borrower to raise funds in the bankers' acceptance market or through cash advances or medium-term sterling notes.

There will be an annual facility fee of 8 1/2 basis points and drawings on the accompanying credit will bear interest at a margin of 12 1/2 basis points if less than 35 per cent of the total is used, 27 1/2 points if more is taken.

Ireland's decision to launch a \$300m floating-rate note on Friday came as a disappointment to the credit market which had been expecting a loan facility, though bankers in Dublin say this is still on the finance ministry's mind. Both deals would be to refinance existing borrowings at lower cost.

Ireland has already raised all the fresh money it needs for 1986 and has embarked on a refinancing programme which, before the FRN was launched, already totalled the equivalent of some £400m.

Such prepayments often come as a blow to bankers, who see their expected returns shrinking. Citicorp has written in some protection against this in a \$60m deal it is arranging for Landsvirkjun, Iceland's national power company. The 10-year deal with a margin of 7/8 per cent after five years to 1/4 cannot be prepaid for five years.

Intercom reports rise in earnings

INTERCOM, Belgium's largest utility, has reported a 14 per cent rise in net earnings to BFr 8.8bn (\$95.5m) in 1985 from BFr 7.7bn a year earlier. AP reports from Brussels. The company is raising its dividend, net of withholding tax, on both common and special AFV stock, which carries a tax credit.

The payout on common shares is increasing to BFr 183 a share from BFr 175 a year earlier, while the dividend on two series of AFV stock is rising to BFr 185.20 from BFr 186.66 a share over 1984.

U.S. \$100,000,000

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April 2, 1986

NEW ISSUE

These Notes have not been registered under the United States Securities Act of 1933 and may not be offered or sold in the United States of America or to nationals or residents thereof. These Notes having been sold, this announcement appears as a matter of record only.

MARCH 1986

U.S. \$125,000,000



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INTERNATIONAL CAPITAL MARKETS

US MONEY AND CREDIT

Dealers and investors increasingly gloomy

THE US Federal Reserve Board's policy-making Federal Open Market Committee (FOMC) meets tomorrow amid deep uncertainty over the future course of interest rates.

Last week saw bond prices nose-dive in response to lacklustre retail demand, mixed economic data and big jumps in the US money supply measures—increases which all but wiped out any lingering hopes of any further easing by the Fed and while the dollar stabilised in the foreign exchange markets, its recent weakness is still casting a shadow over trading.

The market's mood gloomy and all but a few bulls have run for cover. According to the closely-watched Market Vane poll of trader sentiment, only a modest 35 per cent of respondents are currently bullish on government bonds, down from 51 per cent a week ago. While low readings can signal a market bottom, few people are willing to predict that the sell-off is over.

Indeed the recent market reversal, which has seen short T-bill rates soar by almost 40 basis points and the long bond yield bounce back from a low of 7.11 per cent to over 7.60 per cent in just a month, has many Wall Street watchers

	Last Friday	1 week ago	4 wks ago	12-month High	Low
Fed Funds (weekly average)	8.88	6.79	5.82	5.91	6.79
Three-month Treasury bills	6.10	8.06	8.87	7.40	8.78
Six-month Treasury bills	6.28	8.06	8.83	7.54	8.79
Three-month prime CDs	6.82	6.88	6.42	8.10	8.42
30-day Commercial Paper	6.75	6.82	6.38	8.05	8.38
90-day Commercial Paper	6.70	6.50	6.25	8.10	8.28

	Last Friday	1 week ago	4 wks ago	
Seven-year Treasury	97 1/8	-2 1/8	7.53	7.40
20-year Treasury	111 3/4	-5	8.18	7.73
30-year Treasury	99 1/2	-3	7.83	7.28
New 10-year AA Financial	N/A	-3 1/4	7.55	7.15
New AA Long Utility	N/A	-1 1/4	9.25	8.13
New AA Long Industrial	N/A	-2 1/4	8.13	8.88

questioning whether the "good news" and the historic two-year decline in rates is finally over.

The latest setback, which began a month ago, continued with a vengeance last week as dealers and investors grew increasingly pessimistic about the dimming prospects for further interest rate declines.

Most short-term interest rates rose by between 13 and 32 basis points, continuing a long upward trek which may be one factor helping to stabilise the US currency.

of 7.37 per cent, was under pressure. At the end of the week the price of the new 7 1/2 per cent long bond was three full points lower, while its yield was up at 8.63 per cent. Lack of interest in older 20-year paper was even more pronounced, leading to a sharp steepening in the yield curve between 20 and 30 years to 50 basis points.

Corporate bond prices also suffered, although to a lesser extent, falling by between 1 1/2 and 1 1/4 points. Medium-term new issue yields rose by 50 to 75 basis points while long yields climbed a more modest 13 to 25 basis points.

Higher corporate funding costs are beginning to have an impact on the hitherto runaway pace of refinancing and new issuance activity. A slowdown is already apparent so far this month, with a relatively modest \$1.8bn in new straight debt brought to market last week.

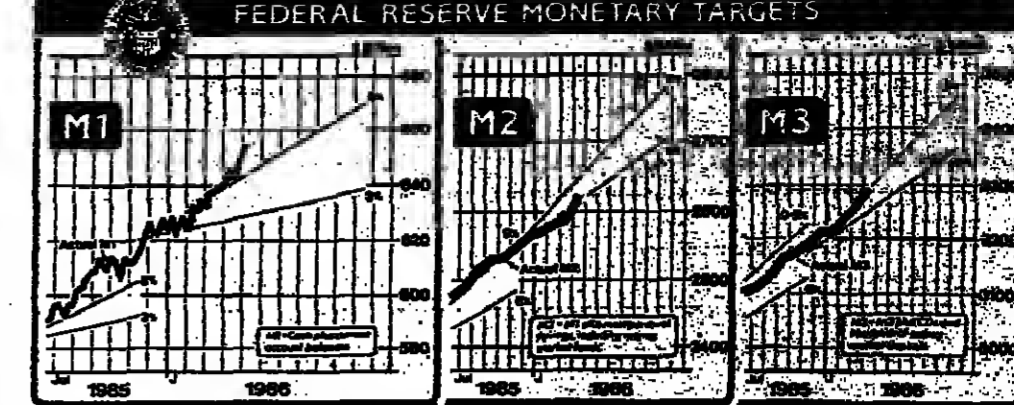
The markets are reacting to a wide array of negative factors. Top of the list last week was the unexpectedly large \$6.1bn jump in M1, the basic money supply measure. The increase, the latest in a series of big increases which have resulted in M1 racing along at an annual 14.5 per cent clip in April, puts

M1 well above the Fed's 3 to 8 per cent target range—but leaves the basic money supply measure still within the Fed's alternative parallel bands.

Nevertheless, the renewed and probably misplaced concern about rapid M1 growth was given added psychological impact by the big April increases in the broader monthly monetary aggregates, M2 and M3, both of which posted double-digit annual percentage gains last month.

The \$28.6bn increase in M3 put it just back within the bottom of the Fed's six to nine per cent target zone. The \$28.5bn rise in M2 left it just above the mid-point of its six to nine per cent target range.

Most Wall Street economists continue to discount the relevance of M1 for Fed policy makers, while also expecting a seasonal slowdown to begin



soon. They do, however, accept that the recent strong M1 growth has added another note of caution to the markets.

They suggest the FOMC will focus on the dollar, the state of the economy, domestic and international debt problems and apparent drains in the US banking system.

The consensus is that the FOMC is unlikely to change its policy at the meeting—a decision which they suggest would

result in a continued expansion and continuation of the longer Fed target for bank discount window borrowing and a Fed funds rate of between 6 1/2 and 7 per cent.

Among the reasons advanced why the Fed should not alter its posture are the continued uncertain economic picture which seems to suggest a slight improvement in final demand but sluggish capital spending—concern about triggering a renewed precipitous dollar slide

and continuing the longer term implications of tax reform. Wall Street expects the 22 per cent preliminary first quarter real gross national product number to be revised down somewhat and the April consumer price index to show a further decline of about 0.3 per cent when it is released on Wednesday.

Paul Taylor

UK GILTS

Index-linked sector alone in recording gains

IN A WEEK in which inflation was the only good news to be had, it was ironic that the index-linked sector of the gilt market was alone in recording gains.

Even the news of retail price inflation falling to an annual rate of 3 per cent could not take the chill off the market in the wake of weaker US bond prices and a batch of depressing UK domestic economic indicators.

The FT Government Securities index fell from 92.26 at the end of the previous week to 91.54 on Friday, despite a rally on Wednesday. The FT Actuaries 25-year high coupon yield, meanwhile, climbed from 9.03 per cent to 9.17 per cent, 44 basis points above this year's low.

The index-linked all-stocks index, however, rose from 117.61 to 118.6. The Bank of England promptly announced three £100m tranches of the index-linked stocks of 2009, 2009 and 2013.

The market, in short, did not buy the message from the Chancellor that Britain has made a decisive breakthrough

into calmer territory below the 5 per cent inflation barrier.

This may be a little ungrateful. Although the fact that the inflation rate has already dropped below the Government's forecast of 3 1/2 per cent for the fourth quarter may be largely due to the Treasury not anticipating the second of this year's cuts in mortgage rates, even with the exclusion of mortgage payments the rate has still fallen to 3.4 per cent.

After a long spell in which the market preferred to look for good news close at hand, attention is now focused on the gloomier prospects a little further afield.

"The fall in inflation to 3.0 per cent on Friday is in line with our view that inflation will tumble to 2.6 per cent when the figure for June is announced," comments stockbroker James Capel. "However, it increasingly looks as if this will be the bottom for inflation in the current cycle. The prime determinant of inflation in the medium term is movements in unit labour costs and the news on that front has not been

very good over the last couple of weeks."

"Not very good" seems something of an understatement when applied to a year-on-year increase of 8.9 per cent in wages and salaries per unit of output in March, or 8.3 per cent for the first quarter. The figure caught the eye of a significant number of investing institutions—the first time in recent memory that its publication has elicited much response from the market.

The message in this interest rate levels is twofold, and it is noticeable that while many economists have now shifted their year-end inflation forecasts down significantly, revisions of their base rate forecasts have been much more tentative.

Clearly, the exceptional rise in unit labour costs is viewed at the Treasury as one of the main reasons for the UK's high real interest rate levels. Tight monetary conditions are viewed as necessary to prevent the potential inflationary impulse of rising earnings from

becoming realised in higher prices.

Yet it is also clear that the sharp jump in unit labour costs announced on Thursday was driven largely by the downturn in output in the first quarter—the latest in a series of big increases which have resulted in M1 racing along at an annual 14.5 per cent clip in April, puts

"The news on unit labour costs perhaps slows down the schedule for base rate cuts," commented Mr George Hodgson, economist at broker Scrimgeour Vickers, "but the schedule still exists."

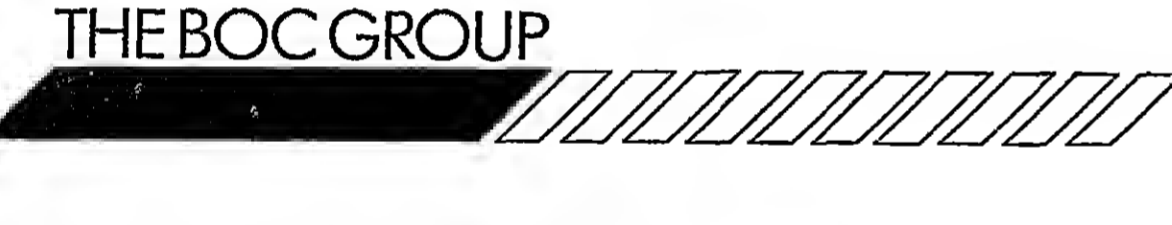
But if the promised cut in base rates to 10 per cent does come, will investors still be sufficiently confident of the next cut after that to buy the market?

George Graham

FT/AIBD INTERNATIONAL BOND SERVICE

US DOLLAR STRAIGHTS	Issued	Price	Yield	Outstanding	US DOLLAR STRAIGHTS	Issued	Price	Yield	Outstanding
AHFC 0/8 Fin 11 84	100	100 1/8	0%	10.49	West LB 1 1/2 90	100	112 1/2	10%	8.35
AHFC 0/8 Fin 11 84	100	100 1/8	0%	10.49	West LB 1 1/2 90	100	112 1/2	10%	8.35
AHFC 0/8 Fin 11 84	100	100 1/8	0%	10.49	West LB 1 1/2 90	100	112 1/2	10%	8.35
AHFC 0/8 Fin 11 84	100	100 1/8	0%	10.49	West LB 1 1/2 90	100	112 1/2	10%	8.35
AHFC 0/8 Fin 11 84	100	100 1/8	0%	10.49	West LB 1 1/2 90	100	112 1/2	10%	8.35
AHFC 0/8 Fin 11 84	100	100 1/8	0%	10.49	West LB 1 1/2 90	100	112 1/2	10%	8.35

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New Issue This announcement appears as a matter of record only. May, 1986

سكرا من الاجل

This announcement appears as a matter of record only.

New Issue

18th April, 1986



U.S. \$300,000,000

The Kingdom of Belgium

7 3/4 per cent. Notes due 1991

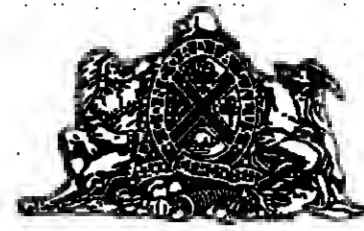
Issue Price 101 1/4 per cent.

- | | |
|---------------------------------------------------------|------------------------------------------------------|
| Union Bank of Switzerland (Securities) Limited | Citicorp Investment Bank Limited |
| Kidder, Peabody International Limited | Kreditbank International Group |
| Samuel Montagu & Co. Limited | |
| Algemene Bank Nederland N.V. | ASLK-CGER Bank BankAmerica Capital Markets Group |
| Banque Bruxelles Lambert S.A./Bank Brussel Lambert N.V. | Banque Nationale de Paris |
| Banque Paribas Belgique S.A./Paribas Bank België N.V. | Chase Manhattan Limited |
| County Bank Limited | Crédit Lyonnais Credit Suisse First Boston Limited |
| Daiwa Europe Limited | Deutsche Bank Capital Markets Limited |
| Dresdner Bank Aktiengesellschaft | Generale Bank |
| Kuwait International Investment Co. s.a.k. | LTCB International Limited |
| Merrill Lynch Capital Markets | Mitsubishi Trust & Banking Corporation (Europe) S.A. |
| Morgan Guaranty Ltd | Nomura International Limited |
| Orion Royal Bank Limited | Swiss Bank Corporation International Limited |

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New Issue

8th May, 1986



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9 1/2 % Notes due 1996

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Bank of Montreal
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Issue Price 99 3/4 per cent.

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|------------------------------------------------|---------------------------------------------------------------------------|
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| Bank of Montreal | Banque Bruxelles Lambert S.A. |
| Banque Nationale de Paris | Deutsche Bank Capital Markets Limited |
| Dominion Securities Pitfield Limited | EBC Amro Bank Limited |
| Generale Bank | McLeod Young Weir International Limited |
| Merrill Lynch Capital Markets | Morgan Guaranty Ltd |
| J. Henry Schroder Wagg & Co. Limited | S. G. Warburg & Co. Ltd. |
| Banca della Svizzera Italiana | Bank für Gemeinwirtschaft Aktiengesellschaft Bank Leu International Ltd |
| Bank J. Vontobel & Co. AG | Banque Internationale à Luxembourg S.A. Baras Fry Limited |
| Commerzbank Aktiengesellschaft | Crédit Lyonnais Daiwa Europe Limited Gordon Capital Inc |
| Lévesque, Beaubien Inc. | Lloyds Merchant Bank Limited R. Metzler sohn & Co |
| The Nikko Securities Co., (Europe) Ltd. | Société Générale Swiss Volksbank Vereins- und Westbank Aktiengesellschaft |
| Westdeutsche Landesbank Girozentrale | Yamachi International (Europe) Limited Yasuda Trust Europe Limited |

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New Issue

30th April, 1986



U.S. \$250,000,000

The Kingdom of Denmark

7 3/4 per cent. Notes due 1993

Issue Price 100% per cent.

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|--------------------------------------------|--------------------------------------------------------------------------|-----------------------------------------------|
| County Bank Limited | Union Bank of Switzerland (Securities) Limited | Westdeutsche Landesbank Girozentrale |
| Algemene Bank Nederland N.V. | Banca Commerciale Italiana | Banque Bruxelles Lambert S.A. |
| Banque Indosuez | Chemical Bank International Limited | Crédit Commercial de France |
| Crédit Lyonnais | DG Bank Deutsche Genossenschaftsbank | EF Hutton & Company (London) Ltd |
| Istituto Bancario San Paolo di Torino | | Kanalis Banking Group |
| Kuwait International Investment Co. s.a.k. | | LTCB International Limited |
| Lloyds Merchant Bank Limited | | Manufacturers Hanover Limited |
| Mitsubishi Finance International Limited | Mitsubishi Trust and Banking Corporation (Europe) S.A. | |
| The National Commercial Bank - Jeddah | | The Nikko Securities Co., (Europe) Ltd. |
| Norddeutsche Landesbank Girozentrale | | Paine Webber International |
| PK Christiania Bank (UK) Limited | Postipankki | Sauwa International Limited |
| J. Henry Schroder Wagg & Co. Limited | | Smith Barney, Harris Upham & Co. Incorporated |
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| Yamachi International (Europe) Limited | Julius Baer International Limited | Banca del Gottardo |
| Banca della Svizzera Italiana | Bank Leu International Ltd | Banque Internationale à Luxembourg S.A. |
| | Girozentrale und Bank der österreichischen Sparkassen Aktiengesellschaft | |
| International Financial Advisers | Oesterreichische Länderbank AG | Swiss Volksbank |
| Privatbanken A/S | Copenhagen Handelsbank A/S | Den Danske Bank |

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New Issue

15th April, 1986



Cdn \$75,000,000

Ford Credit Canada Limited

10% Guaranteed Notes due April 15, 1993

Guaranteed by

Ford Motor Credit Company

Issue Price 101 1/4 per cent.

- | | |
|------------------------------------------------|--------------------------------------------|
| Union Bank of Switzerland (Securities) Limited | |
| Bank Leu International Ltd | Banque Bruxelles Lambert S.A. |
| Banque Nationale de Paris | Banque Paribas Capital Markets Limited |
| CIBC Limited | Commerzbank Aktiengesellschaft |
| County Bank Limited | Crédit Commercial de France |
| Deutsche Bank Capital Markets Limited | Generale Bank |
| IBJ International Limited | Kuwait International Investment Co. s.a.k. |
| Merrill Lynch Capital Markets | Morgan Guaranty Ltd |
| Morgan Stanley International | Orion Royal Bank Limited |
| Swiss Bank Corporation International Limited | Swiss Volksbank |
| Westdeutsche Landesbank Girozentrale | Wood Gundy Inc. |

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

GLOBAL FINANCIAL MARKET

Tokyo turns a critical eye on itself

BY DAVID LASCELLES, BANKING CORRESPONDENT

DOES TOKYO have what it takes to be a major international financial centre?

The assumption that Tokyo, along with London and New York, will dominate the world financial scene as a "global market" emerges has taken deep root in the minds of bankers and financiers in the last year or two. But of the three, it is probably the least well understood by foreigners, and certainly the least penetrable. And the answer to the opening question could still be no.

Tokyo's failings are well known to anyone who has tried to do business there: a rigid financial system, a defensive bureaucracy, deeply entrenched domestic banking and securities industries, and the usual cultural barriers. These have been offset by the attractions offered by huge markets, massive capital exports, and the prospect of further financial liberalisation.

Now the Japanese have produced an inside view of the challenge facing Tokyo, and the

deficiencies it must overcome if it is to match New York and London. It comes from the Nomura Research Institute, the research arm of the country's largest securities firm, in a special study* of the world financial markets commissioned last year to commemorate the Institute's 20th anniversary.

"Basically," the study says, "there will have to be a radical and complete revolution in thinking if Tokyo is to succeed—and specifically if Japan is to avoid making the same mistakes as the US in the early days which resulted in international financial business migrating to London."

Nomura sees an ominous sign in the parallel between Japan's heavy dependence on the New York bankers' acceptance market, and the days before World War I when US trade was largely financed in London. "It is a fact that because of international restrictions, Japan is forced to rely on overseas financing," it says. The study makes several

proposals to correct Tokyo's failings:
 • Japanese banks should commit themselves more heavily to the new yen-denominated bankers' acceptance market, which has been a flop. It also urges the creation of an off-shore banking centre in Tokyo, which is now going ahead.
 • Internationally acceptable trading rules and practices should be introduced as quickly as possible. "There is a tendency in Japan," it says, "for the country to develop its own unique practices and its own way of doing things, and Japan has not been very active in adopting the rules and practices of other nations to pave the way for integration."
 • Investment should be made to ensure the training of people needed to enable Tokyo to develop as a financial centre. If Tokyo is to match New York, it will have to raise the number of people employed in financial services from between 220,000 and 230,000 to between 300,000 and 400,000 in the next ten years.

Several regional research centres should be set up in Japan to study the West Pacific economy and to support Tokyo's position as the natural financial market for the region.
 • Japan should develop its own international electronic wire service like Reuters and Dow Jones-Telerate.
 The striking point about this list is that—to foreign eyes at any rate—it omits what might seem the more important issue of speedier liberalisation of the financial markets. But outsiders might draw some encouragement from the second proposal—to bring Japanese trading practices more in line with the rest of the world. No matter how large Tokyo becomes in relation to London and New York, it will always be treated as the odd one out until that happens.

*The World Economy and Financial Markets in 1985. The Institute's role and challenger, Nomura Research Institute, 24, Monument St, London EC3R 8AJ. 01-626 1086.

Earnings and payout increased at Nampak

By Jim Jones in Johannesburg

NAMPAP, the South African packaging company, relied largely on its paper-based operations to generate higher profits in the half-year to March while Metal Box South Africa, its 54 per cent-owned subsidiary, reported higher turnover but lower operating and pre-tax profits for the period.

Consolidated sales for Nampak rose to R837.2m (\$387.2m) from R715.7m and pre-tax profits were R70.5m against R60.7m.

Mr David Brown, the chairman, says turnover rose by 8 per cent in real terms, but adds that this included sales from a new tissue wadding mill and from infant and sanitary protection product lines. He says that export sales grew well and that margins were improved by increased volumes and plant loadings.

In April Nampak acquired a Natal-based paper pack manufacturer and issued R10.44m in new shares for the purchase. Mr Brown says that political and economic uncertainties make forecasting difficult, but he believes that earnings should increase modestly this year.

First-half earnings rose 76 cents a share from 71 cents and the interim dividend has been raised to 33 cents from 32 cents. Nampak is indirectly controlled by Bartow Bank, the industrial and mining group.

Metal Box South Africa, which remains an affiliate of the British Metal Box Company, suffered from the effects of tight trading conditions exacerbated by higher costs of imported raw materials.

Turnover increased to R419m from R369m, but pre-tax profits declined to R25.5m from R27.1m.

The directors say that the beverage can and liquid packaging divisions were adversely affected by higher imported raw materials costs due to the rand's weakness. Interim earnings slipped to 25.6 cents a share from 24.8 cents but the interim dividend has been maintained at 10 cents. Last year's earnings were 54.1 cent a share and a dividend total of 22 cents was paid.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount in \$m	Maturity	Air. Ris years	Coupon %	Price	Book Runner	Offered \$m
U.S. DOLLARS							
Sunshine Sp. Metals ¶†	80	1991	5	2 3/4	100	Dalva Europe	2,750
Sunshine Sp. Metals ¶†	80	2001	15	3	100	Nippon Credit	2,825
SCI Systems †	70	2001	15	5 1/4	100	Kidder Peabody	2,750
American Bankers Ins. †	50	1991	5	2 3/4	100	Yamaichi Int. (Eur)	2,900
Mitsui Koh ¶	50	2001	15	3	100	Nomura Int.	2,750
Mitsui Koh ¶	50	1991	5	2 3/4	100	Nomura Int.	2,750
Mitsui Koh ¶	50	1991	5	2 3/4	100	Nomura Int.	2,750
Mitsui Koh ¶	50	1991	5	2 3/4	100	Nomura Int.	2,750
Boj Paribas (London) †	50	1989	3 1/2	8 1/4	101 1/4	Boj Paribas	5,585
Boj Paribas (London) †	50	1999	3 1/2	8 1/4	101 1/4	Boj Paribas	5,585
New Zealand (a) ††	250	1996	10	7 3/4	100 1/2	Salomon Brothers	7,400
Japan Highway †	120	1986	10	(5 3/4-6)	100	Chemical Bank	3,000
The Boston Co. †	100	1986	10	3	100	UBS Inc.	6,250
SGS Finance Lux. ††	100	1996	10	8 3/4	101 1/4	Boj Paribas	8,825
Avro Finance †	55	1986	10	8 1/4	101 1/4	Boj Paribas	7,804
Int. Finance Corp. †	100	1986	3	10	100 3/4	Nomura Int.	8,850
Austria †	100	1989	3	10	100 3/4	Nomura Int.	8,850
Alco Brown & Sons †	25	2001	15	(5 3/4)	100	Kleinwort Benson	7,825
D'Urban Ind. †	40	1981	5	(2 3/4)	100	Nikko Secs. (Europe)	7,825
Environ Electric †	100	1988	12	7 3/4	101 1/4	Nikko Int.	7,825
WestLB Finance †	100	1981	5	8	100 3/4	WestLB	7,825
Bank of Nova Scotia †	100	1981	5	7 3/4	100 3/4	Morgan Stanley	7,750
Credit Suisse (London) †	300	1986	12	8 1/4	100	First Chicago	8,063
Switzerland †	300	1986	12	8 1/4	100	Morgan Guaranty	8,063
EEC †	100	1986	12	8 1/4	101 1/4	Morgan Guaranty	8,063
AUSTRALIAN DOLLARS							
Boj Paribas Bank of America Int. Bankers Trust Int.	50	1982	4	13 1/2	101 1/2	Boj Paribas	12,227
Boj Paribas Bank of America Int. Bankers Trust Int.	40	1981	5	12 1/2	101 1/4	Boj Paribas	11,938
Boj Paribas Bank of America Int. Bankers Trust Int.	50	1988	3	12 1/4	100 3/4	Boj Paribas	11,938
D-MARKS							
Sanku Co. ¶†	70	1991	5	1 1/4	100	Bayrische Vereinsbank	1,250
Deutsche Bank †	200	2018	30	5 3/4	99 3/4	Deutsche Bank	5,985
Deutsche Bank †	150	1996	10	2 3/4	100	Deutsche Bank	2,750
Deutsche Bank †	500	2001	15	3 1/4	100	Deutsche Bank	5,750
Deutsche Bank †	200	1986	10	5 1/4	100	Deutsche Bank	6,250
Deutsche Bank †	200	2001	15	6 1/4	100	Deutsche Bank	6,250
Deutsche Bank †	100	1986	10	6 1/4	100	Deutsche Bank	6,250
SWISS FRANCS							
Overseas Int. (Lux)	100	2048	—	(6 3/4)	(100)	Societe	1,125
Overseas Int. (Lux)	30	1994	—	1 1/2	100	SEC	1,000
Overseas Int. (Lux)	45	1991	—	1	100	SEC	1,000
Overseas Int. (Lux)	80	1991	—	1	100	SEC	1,000
Overseas Int. (Lux)	12	1991	—	4 1/2	100	SEC	4,875
Overseas Int. (Lux)	200	(2000)	—	(4 3/4)	(100)	Hausbank	—
Overseas Int. (Lux)	50	1991	—	(1 1/4)	(100)	Banque des Cantons	—
STERLING							
Portugal †	50	2016	30	9	97.775	S. G. Warburg	10,400
EEC							
Int. Finance Corp. †	55	1985	5 1/2	6 3/4	100	CFI	8,825
FRENCH FRANCS							
Japan Air Lines †	700	1986	10	7 1/2	100 1/2	Boj Paribas	7,427
LUXEMBOURG FRANCS							
EB** †	200	1991	5	5 1/4	100	EBL	8,750
YEN							
African Dev. Bank †	150m	2001	15	5.8	100	Nomura Secs.	5,987
Korea Dev. Power †	200m	1998	10	6	100	Nikko Secs.	5,988
Province of Ontario †	200m	1998	12	8	101 3/4	Nomura Int.	5,794
GFCE †	200m	1996	10	5 1/4	101 1/2	Dalva Europe	5,571
Palmed †	13.5m	1991	5	5 1/4	101	Bank of Tokyo Int.	5,143
Environ †	100m	1983	7	6 1/4	101 1/4	HJ Int.	5,304
DB †	200m	1991	5	5 1/4	101 1/4	Nomura Int.	5,428

Lazard Bros. seeks stake in Indian bank

By R. C. Murphy in Bombay

LAZARD BROTHERS has proposed taking a stake in Credit Finance Corporation (CFC), making it India's first joint venture in merchant banking.

Mr. Udayan Bose, CFC chairman, said the UK institution has sought permission from the Reserve Bank of India to acquire 25 per cent of CFC, although the authorities might restrict this to 20 per cent.

CFC is the first merchant bank in India to have become involved in corporate restructuring, mergers and acquisitions, and project financing. Merchant banking in India has largely centred on management of equity issues.

The bank is currently attempting to revive three loss-making companies by strengthening equity, arranging loans and supplying management. For Gramophone Company of India (GCI), one of the three, CFC has identified areas for diversification and Mr Bose has taken management responsibilities by becoming its vice-chairman.

Advance for Okuma Machinery

BY YOKO SHIBATA IN TOKYO

OKUMA Machinery Works, a Japanese machine tool maker, has shown the benefits of strong demand from car makers in reporting record pre-tax profits of 10bn 961.5m in the year to March 31, up 23.6 per cent.

Net profits were 57 per cent higher at Y52bn, on sales of Y90.97bn, up 27 per cent. Earnings per share rose to Y40.87 from Y28.04, and the company will pay a Y9.75 per share dividend. This involves an increase in the ordinary payment from Y8.50 to Y9 and an additional special distribution.

Of total turnover, exports accounted for 37.5 per cent—a jump of 55.4 per cent.

However, Okuma foresees a far poorer business environment for the current year. The strength of the yen has had a negative effect on export sales margins and has even hurt demand from domestic customers such as the car makers.

Pre-tax profits are projected at Y7bn, down 30 per cent, with net profits at Y3.3bn, down 37 per cent on turnover of Y87bn, a fall of 4 per cent.

A Y9.50 dividend is expected. NTW Toy Bearing, net earnings for the year ended March 20 down by 34.2 per cent to Y5.63bn from Y8.56bn despite sales up from Y238.7bn to Y240.4bn. AP-DJ reports from Tokyo.

Net income dropped to Y15.87 per share from Y24.21 but the company plans to pay an unchanged dividend total of Y8 per share.

The company said the drop in earnings resulted mainly from the negative impact of the yen's sharp appreciation.

For the current year, sales are expected to increase to about Y345bn, but net earnings are forecast to decline to about Y6bn.

sales which showed a 5.6 per cent dip to Y205,000m.

The dull performance in part reflected a bare Y70m rise in pre-tax profits for the parent company alone, to reach Y22.69bn. These are forecast to fall 22 per cent in the current year to some Y17bn, despite a revival in sales.

The annual dividend is none the less being raised from Y14 to Y15, a level which Murata hopes to maintain for 1986-87. Consolidated earnings per share were Y135.52 compared with Y169.89.

Murata, which specialises in ceramic capacitors and filters, has 10 operating subsidiaries overseas.

Business in Lisbon?
 Complimentary copies of the Financial Times are available to guests at the following hotels:
 RITZ · MERIDIEN · ALFA LISBOA · NOVOTEL

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New Issue / May, 1986

U.S. \$150,000,000

CITICORP

8% Subordinated Notes Due May 15, 1993

Salomon Brothers International Limited	Citicorp Investment Bank Limited
Banque Bruxelles Lambert S.A.	Banque Internationale à Luxembourg S.A.
Banque Nationale de Paris	Creditanstalt-Bankverein
Dalva Europe Limited	Genossenschaftliche Zentralbank AG Vienna
Girozentrale und Bank der österreichischen Sparkassen Aktiengesellschaft	Lloyds Merchant Bank Limited
LTCB International Limited	Mitsubishi Finance International Limited
The Nikko Securities Co., (Europe) Ltd.	Nippon Credit International (HK) Ltd.
Nomura International Limited	Prudential-Bache Securities International
Sumitomo Trust International Limited	Swiss Bank Corporation International Limited
Yamaichi International (Europe) Limited	Yasuda Trust Europe Limited

This announcement appears as a matter of record only.

Multibanco Comeremex, S.N.C.

U.S. \$135,000,000
 Floating Rate Certificates of Deposit

Arranged by
First Interstate Capital Markets Limited

Managers

First Interstate Bank of California Orion Royal Bank Limited Libra Bank PLC	The Sanwa Bank, Limited Bankers Trust Company
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Banks

First Interstate Bank of California The Sanwa Bank, Limited Bayerische Vereinsbank, Aktiengesellschaft Banco di Roma Crédit Commercial de France National City Bank, Nassau Branch Banco di Napoli IBF - New York Banque Indosuez Pierson, Halding and Pierson (Cayman) Limited	MBank Houston N.A. The Royal Bank of Canada Algemene Bank Nederland N.V. Bankers Trust Company Libra Bank PLC Allied Bank International BIG Luxembourg Société Anonyme Credit Suisse Central National Bank of New York
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Agent
First Interstate Capital Markets Limited

May 1986

سكوت القابل

This announcement appears as a matter of record only.

NEW ISSUE

April 1986

320,000 Free Common Shares

300,000 Free Preference Shares

NOKIA

Direct placement of the above Shares was arranged by the undersigned.



The First Boston Corporation

This announcement appears as a matter of record only.

NEW ISSUE

April 1986

1,185,000 Free A Shares



Amer Group Ltd

Direct placement of the above Shares was arranged by the undersigned.



The First Boston Corporation

This announcement appears as a matter of record only.

NEW ISSUE

April 1986

5,000,000 Shares

Class C Common Stock



Union Bank of Finland Ltd.

Direct placement of the above Shares was arranged by the undersigned.

The First Boston Corporation Unitas Ltd.

This announcement appears as a matter of record only.

NEW ISSUE

January 1986

300,000 Non-Restricted

Series II Shares



Finnish Sugar Co. Ltd.

Direct placement of the above Shares was arranged by the undersigned.



The First Boston Corporation

UK COMPANY NEWS

Burton seeks 'specialist' buyer for Hamleys toys

BY MARTIN DICKSON

Burton Group, the retailer, has put up for sale Hamleys, the famous toy shop in London's Regent Street, which it acquired last August as part of its £560m takeover of Debenhams, the department store chain.

Goldman Sachs, the US investment bank, has been appointed to handle the sale, and an informal prospectus is being sent to possible buyers in both the UK and US. These are thought to include the large US chain Toys R Us, which began operating in the UK last year.

Hamleys, which has two other stores outside London, in Bath and Birmingham, produced turnover of £15m to the year to February 1985. With its international reputation, it might fetch between £25m and £50m.

Mr Ralph Halpern, chairman of Burton, said the name had enormous potential, and Burton would sell to the people who

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interim or final and the subdivisions shown below are based mainly on last year's timetable.

Table with columns for Company Name, Meeting Date, and Meeting Type (Interim, Final, etc.).

Guernsey consortium rescues Intervision

MR DAVID QUAYLE, deputy chairman of Television South and the founder of B & Q (Retail), the DIY retailing group now owned by Woodworth, has stepped in with a Guernsey-based consortium to rescue Intervision Video, a troubled USM-quoted video tape distributor.

Intervision's main business is leasing pre-recorded video cassettes to rental shops. Profits began to slump in 1984 as an increasing number of its customers went out of business in a saturated market.

M & S Canada suspended

Marks & Spencer, the retailing group, yesterday declined to comment on the suspension of share dealings in its 57.2 per cent owned subsidiary, Marks & Spencer Canada, on Canadian stock exchanges last Friday. It said a statement would be issued in the next few days.

FT Share Information

The following securities have been added to the Share Information Service: Nationwide Building Society 10p 6/4/87 (Section: Loans-Building Societies); Schering-Plough (Chemicals).

Major shake-up imminent at Brunning

BY DAVID GOODHART

Brunning Group, which in 1981 became the first advertising agency in Europe to receive a stock market quotation, will today announce an unexpected trading loss of about £200,000 and a major shake-up in its senior management.

Mr Geoffrey Brunning, the chairman, is resigning along with another senior director, Mr Frank Casey, although both men will retain contact with the company in an advisory role. The share structure of the company is also being transformed.

FKI buys Thorn EMI division for £11.7m

FKI Electricals, a rapidly expanding electrical and electronic engineering and components division of Thorn EMI.

SHARE STAKES

Changes in company shares announced over the past week include: Hunting Petroleum Services - Director P. G. Edwards purchased 12,500 ordinary.

Music Sales in £8m bid for Boosey & Hawkes

BY MARTIN DICKSON

PROPOSALS for an £8m takeover of Boosey & Hawkes, the music publishing and instrument business, were unveiled yesterday by Music Sales, a privately owned British sheet music publisher headed by American-born Mr Robert Wise.

A key feature of the plan is the separation of Boosey's publishing and instrument businesses, with the publishing going to Music Sales. The instrument side would be purchased by a consortium in which the current management could participate.

Offer for P-E Intl. only just covered

The offer for sale of shares in P-E International, the management consultants, was only just covered at the minimum 165p tender price.

NatWest

In the table listing NatWest's capital raising on May 15, the sum of the primary capital floating rate notes issued in May 1985 was \$1bn and not \$100m as stated.

EQUITIES

Table of stock prices with columns for Name, Price, Change, etc.

FIXED INTEREST STOCKS

Table of fixed interest stocks with columns for Name, Price, Yield, etc.

"RIGHTS" OFFERS

Table of rights offers with columns for Name, Price, etc.

PENDING DIVIDENDS

Table of pending dividends with columns for Name, Date, Amount, etc.

Westpac Banking Corporation advertisement for U.S. \$100,000,000 8% Subordinated Bonds Due 1996. Includes details on interest, application, and listing particulars.

Sabah Development Bank Berhad advertisement for U.S. \$40,000,000 Floating Rate Notes due 1989. Includes details on interest and coupon.

Company Notices section including Chemical New York Corp and European Coal and Steel Community notices.

FT Financial Times Conference advertisement for Telecommunications and the European Business Market.

Wilh. Sonesson AB advertisement for Annual General Meeting, including details on shareholder registration and meeting location.

FINANCIAL TIMES STOCK INDICES table showing various indices like Government Secs, Fixed Interest, Ordinary, Gold Mines, FT Act. All Share, and FT SEI100.

EUROPEAN COAL AND STEEL COMMUNITY notice regarding early redemption of bonds.

CLASSIFIED ADVERTISEMENT RATES table showing rates for different types of ads.

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BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS
 May 20-22 RoSPA International Safety Exhibition (01-780 4171) NEC, Birmingham
 May 20-24 Chelsea Flower Show (01-834 4335) Royal Hospital, SW1
 May 23-June 1 National Home, Garden and Leisure Show - LIFESTYLE (021-222 9341) NEC, Birmingham
 May 29-June 7 Fine Art and Antiques Fair (01-885 1200) Olympia
 June 3-5 Northern Electronics Exhibition - ELECTRONORTH (0932 3685) G-Mex Centre, Manchester
 June 3-6 International Chemical and Process Engineering Show and Conference - EUROCREM (01-881 5051) NEC, Birmingham
 June 7-8 International Air Fair and Trade Exhibition (0959 7111) Biggla Hill
 June 8-12 Shop Equipment and Display Exhibition, including Point of Sale - SHOPEX INT (01-885 4499) Olympia
 June 11-21 Grosvenor House Antiques Fair (0793 26899) Grosvenor House, W1
 June 23-26 Institute of Leisure and Amenity Management Conference and Exhibition (0491 873558)
 June 24-26 Advanced Materials Conference and Exhibition (01-868 4468) Wembley Conference Centre

OVERSEAS TRADE FAIRS
 June 10-12 International Banking and Finance Services and Technologies Exhibition - TECHNObANK (0494 775444) Geneva
 May 13-15 Production, Organisation and Technical Aspects of Shows & Meetings, Trade Fair and Congress - SHOWTECH (01-740 4444) Berlin
 May 21-23 International Cargo Services and Equipment Exhibition - INTER-CARGO '86 (07072 756411) Boston
 May 26-30 Automated Manufacturing Conference and Exhibition - AUTOMACH 86 (US) (313 271 1500) Sydney
 May 28-June 4 Mechanical Handling Machine Tool & Products Exhibition (01-439 3964) Paris
 June 3-6 Retail and Distributive Exhibition - RETAIL EUROPE (0794 794161) Amsterdam

BUSINESS AND MANAGEMENT CONFERENCES
 May 20 CBI: Contract bonds and guarantees (01-378 7400) Centre Point, WCI
 May 22 The Institute of Directors: How to work out the winning streak (01-533 1233) 116 Pall Mall, SW1
 May 25-28 International reinsurance forum (Panama 63-7555) Panama
 May 26-30 International Advertising Association: World advertising congress (Chicago 312) 644 5997 Chicago
 May 27-29 Banking Association of Ticino and City of Lugano: International banking symposium (01-251 9321) Lugano
 May 28-29 FT Conferences: Telecommunications and the European business market - planning tomorrow's trade routes (01-621 1355) Hotel Inter-Continental, W1
 June 18 Institute of Directors: UK companies - the revenue offensive (01-839 1233) 116 Pall Mall, SW1
 June 18 RIFA: Government and the private sector (01-222 2248) London Business School, NW1
 June 18-20 1986 World Congress on Management Development (0234 46335) Royal Lancaster Hotel, W2

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

THE WEEK IN THE COURTS
US product liability law can lead to unfairness

BY A. H. HERMANN, LEGAL CORRESPONDENT

"IT IS one world" and although this piece of wisdom has now become a party political slogan, it is increasingly true. Even without the Chernobyl disaster, we would be reminded of it by the US courts which tend to protect US consumers against damage caused by faulty products wherever manufactured and even when the manufacturer had only a vague awareness that his product might reach the American market as a component of another product made elsewhere, outside the US.

Unfashionable as it is, I must confess a certain sympathy for the eagerness of the US state courts to protect US consumers, irrespective of where the acts which had adverse consequences took place. After all, it has always been accepted that if a bullet is fired across the frontier and hits some one, that is a sufficient ground for criminal prosecution by the courts of the country where the injury occurred. By similar logic, the European Court ruled some years ago that pollution of the Rhine by waste released upstream could be viewed downstream, where the pollution took effect, as an act done in another country.

As the world grows smaller and the world market integrates, with the result that manufacturers cannot foresee where their mass-produced goods will end, it would be good to have international harmonisation of product liability laws and an international convention on jurisdiction over product liability claims. Unfortunately, we have neither and no prospect of getting them within the foreseeable future.

Manufacturers exporting their products worldwide have to live, therefore, with the fact that the US courts award compensation for the effects of faulty products, and sometimes for misuse of perfectly sound products, on terms incomparably more generous than the courts of any other country. As a result, everyone, if he can, tries to sue in the US for his product liability claims - and also anti-trust claims - even if the manufacturer's connection with the US markets is of the flimsiest type.

Such a case came before the Supreme Appeal Court of California when a Taiwanese tyre manufacturer, who was held responsible for a motor-

cycle accident in California, thought to involve as a third party a Japanese tyre valve manufacturer, whose valve was used in the blown tyre which caused the accident. The valve manufacturer, Asahi Metal Industry Co Ltd, supplied less than 1.25 per cent of its products to the Taiwanese tyre manufacturer. Only 22 per cent of the Taiwanese manufacturer's tyres used Asahi valves. Asahi had no control over the distribution of tyres fitted with its valves, did not ask that they be marketed in California and was not asked to design any valve assemblies to comply with specific Californian standards.

When the dispute reached the California Court of Appeal, this said that it had no personal jurisdiction over Asahi as "it would not be reasonable to require Asahi to respond to California solely on the basis of ultimately realised foreseeability that the product into which its component was embodied would be sold all over the world including California."

However, the Californian Supreme Court thought otherwise. It held that as California had a substantial interest in protecting its consumers, and both California and the Taiwanese tyre manufacturer had an interest in avoiding inconsistent results and a multiplicity of litigation, the dispute should be governed by the substantive law of California and fell under the jurisdiction of Californian courts.

Asahi appealed to the US Supreme Court of the US and this agreed on May 3 (No 85-693) to review the Californian decision. The Washington law firm Sutherland, Asbill & Brennan submitted an amicus curiae brief on behalf of the Confederation of British Industry, and the American Chamber of Commerce in the UK.

We must now keep our fingers crossed that the foreign manufacturers, one in Japan and the other in Taiwan, do not settle their dispute before the US Supreme Court can consider it,

ISSUES OF GOVERNMENT STOCK

The Bank of England announces that Her Majesty's Treasury has created on 16th May 1986, and has issued to the Bank, additional amounts as indicated of each of the Stocks listed below:

£200 million 2 1/2 per cent INDEX-LINKED TREASURY STOCK, 2003
 £100 million 2 1/2 per cent INDEX-LINKED TREASURY STOCK, 2009
 £100 million 2 1/2 per cent INDEX-LINKED TREASURY STOCK, 2013

The price paid by the Bank on issue was in each case the middle market closing price of the relevant Stock on 16th May 1986 as certified by the Government Broker.

In each case, the amount issued on 16th May 1986 represents a further tranche of the relevant Stock, ranking in all respects pari passu with that Stock and subject to the terms and conditions applicable to that Stock, and subject also to the provision contained in the final paragraph of this notice; the correct provisions for Capital Gains Tax are described below.

Copies of the prospectuses for the Stocks listed above, dated 22nd October 1982, 19th October 1983 and 15th February 1985 respectively, may be obtained at the Bank of England, New Issues, Watling Street, London, EC4M 9AA.

Application has been made to the Council of The Stock Exchanges for each further tranche of stock to be admitted to the Official List.

The Stocks are repayable, and interest is payable half-yearly on the dates shown below (provision is made in the prospectuses for stockholders to be offered the right of early redemption under certain circumstances):

Stock	Redemption date	Interest payment dates
2 1/2 per cent Index-Linked Treasury Stock, 2003	20th May 2003	20th May 20th November
2 1/2 per cent Index-Linked Treasury Stock, 2009	20th May 2009	20th May 20th November
2 1/2 per cent Index-Linked Treasury Stock, 2013	16th August 2013	16th February 16th August

Both the principal of and the interest on the Stocks are indexed to the General Index of Retail Prices. The Index figure relevant to any month is that published seven months previously and relating to the month before publication. The Index figure relevant to the month of issue of 2 1/2 per cent Index-Linked Treasury Stock, 2003 and 2 1/2 per cent Index-Linked Treasury Stock, 2009 is that relating to February 1982 (310.7); the equivalent index figure for 2 1/2 per cent Index-Linked Treasury Stock, 2013 is that relating to June 1984 (351.9). These Index figures will be used for the purposes of calculating payments of principal and interest due in respect of the relevant further tranches of stock.

The relevant Index figures for the half-yearly interest payments on the Stocks are as follows:

Interest payable	Published in	Relevant Index figure	Relating to
May	October of the previous year	October	September
November	April of the same year	April	March
February	July of the previous year	July	June
August	January of the same year	January	December


The further tranches of 2 1/2 per cent Index-Linked Treasury Stock, 2003 and 2 1/2 per cent Index-Linked Treasury Stock, 2009 have been issued on an ex-dividend basis and will not rank for the interest payments due on 20th May 1986 on the existing Stocks. The further tranche of 2 1/2 per cent Index-Linked Treasury Stock, 2013 will rank for a full six months' interest on 16th August 1986.

Each of the Stocks referred to in this notice is specified under paragraph 1 of Schedule 2 to the Capital Gains Tax Act 1979 as a gilt-edged security (under current legislation exempt from tax on capital gains on disposals made on or after 2nd July 1986, irrespective of the period for which the Stock is held).

Government statement
 Attention is drawn to the statement issued by Her Majesty's Treasury on 20th May 1985 which explained that, in the interest of the orderly conduct of fiscal policy, neither Her Majesty's Government nor the Bank of England or their respective servants or agents undertake to disclose tax changes decided on but not yet announced, even where they may specifically affect the terms on which, or the conditions under which, these further tranches of stock are issued or sold by or on behalf of the Government or the Bank; that no responsibility can therefore be accepted for any omission to make such disclosure; and that such omission shall neither render any transaction liable to be set aside nor give rise to any claim for compensation.

BANK OF ENGLAND, LONDON
 16th May 1986

All of these Securities have been sold. This announcement appears as a matter of record only.



Republic of Italy
 ECU 400,000,000
 Zero Coupon Notes Due 1996

<p>Istituto Bancario San Paolo di Torino</p> <p>Crédit Commercial de France Kredietbank International Group</p> <p>Algemene Bank Nederland N.V. Banca Monasardi & C. Banca di Roma Bankers Trust International Limited Banque Indosuez Bayerische Landesbank Girozentrale Chase Investment Bank CIBC Limited Commerzbank Aktiengesellschaft Crédit Lyonnais Dowha Europe Limited Generale Bank</p> <p>Girozentrale und Bank der Österreichischen Sparkassen</p> <p>Margan Guaranty Ltd Nomura International Limited Rabobank Nederland J. Henry Schroder Wagg & Co. Limited Sumitomo Finance International Union Bank of Switzerland (Securities) Limited Yamaichi International (Europe) Limited</p>	<p>Merrill Lynch Capital Markets</p> <p>Deutsche Bank Capital Markets Limited Swiss Bank Corporation International Limited</p> <p>Banca Commerciale Italiana Banco di Napoli Bank of Tokyo International Limited Banque Générale du Luxembourg S.A. Banque Nationale de Paris Caisse des Dépôts et Consignations Chemical Bank International Group Citicorp Investment Bank Limited Creditanstalt-Bankverein Crédit Suisse First Boston Limited Dresdner Bank Aktiengesellschaft Genossenschaftliche Zentralbank AG Hambros Bank Limited</p> <p>Margan Stanley International Orion Royal Bank Limited Salomon Brothers International Limited Shearson Lehman Brothers International Svenska Handelsbank Group S. G. Warburg & Co. Ltd.</p>
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May 12, 1986

Brixton Estate

International investors in commercial property

Extracts from the Statement by the Chairman, Harry Axton

“The upward trend in profits has continued. On the rental side, there has been some real improvement in lettings and it is particularly satisfactory that the industrial and warehouse sector has started to revive at long last.”

“The net asset value of the Group has risen from 175p per share to 197p per share, an increase of 12.6%, and this is after taking account of the impact of the fall in the value of the Australian Dollar.”

“The current development programme at present exceeds £30 million and we are looking for suitable opportunities for expanding our activities both here and abroad.”

HIGHLIGHTS OF 1985

- 11.2% increase in net rental income to £19,424,000.
- 12% increase in profit after tax to £7,085,000.
- Proposed final dividend of 3.35p per ordinary share making an increase of 9.7% for the year.
- Value of investment properties - £283 million.
- 12.6% increase in net assets to £162 million.

The Annual General Meeting of the Company will be held in London on 10th June 1986.

If you would like a copy of the Annual Report and Accounts 1985, complete this coupon and send it to The Secretary, Brixton Estate plc, 22-24 Ely Place, London EC1N 6TO.

Name _____

Address _____

FT 10/85

INTL. APPOINTMENTS

New chairman for Havas as privatisation looms

BY PAUL BETTS IN PARIS

MR PIERRE DAUZIER has been appointed chairman of Havas. He will have the delicate task of running the French advertising and communications conglomerate, Europe's largest media group, as it prepares for privatisation.

Havas ladder since joining the concern in 1963. Mr Dauzier will take over from Mr Andre Rousselet, the former chairman who announced his plan to step down last month.

Among candidates believed to be interested in acquiring a major stake in the privatised Havas group is the Moez-Hennessy champagne and cognac concern which recently bought an 8.2 per cent shareholding in the Compagnie Luxembourgeoise de Telediffusion (CLT).

De Benedetti aide joins Booz Allen

By Alan Friedman in Milan

MR MAURIZIO MUSSATI, a senior aide to Mr Carlo de Benedetti, chairman of Olivetti, has joined the European operations of Booz Allen, the US management consultants.

Senior moves at Mobil

By Alan Friedman in Milan

Mobil, the US based oil company, has made three top executive appointments as a result of the decision of Mr Alex H. Massad, a director and member of the executive committee of both Mobil Oil Corporation and the parent, Mobil Corporation.

Senior moves at Mobil

By Alan Friedman in Milan

TRW, the Cleveland electronics and automotive products concern, has announced the resignation of Mr Charles R. Allen, Mr Myers, who has chief administrative and financial officer of American Hospital Supply Corporation, joins TRW as an executive vice president on June 1.

Japanese bank London post

By Alan Friedman in London

MR JAN H. DALHUISEN is to join IBI International, the London subsidiary of the Industrial Bank of Japan, in June as head of the bank's operations.

Japanese bank London post

By Alan Friedman in London

Mr Lou A. Noto, general manager Middle East and chairman of Mobil Saudi Arabia, will succeed Mr Rena as vice president, planning and economics, for both corporations on July 1.

Japanese bank London post

By Alan Friedman in London

Mr Terry W. Hill, 48, becomes executive vice president, defence electronics group. He will be responsible for the Singer divisions engaged in command/control and intelligence and electronic warfare; navigation/guidance; and tactical control.

A FINANCIAL TIMES SURVEY The Financial Times is proposing to publish a survey on PROPERTY ALONG THE M3 on JULY 11 1986

F.T. CROSSWORD PUZZLE No. 6,025

CROSSWORD PUZZLE grid with clues for Across and Down.

- ACROSS 1 A personal representation (9) 5 Tremble a tiny bit (6) 10 It is up for approval (5) 11 It is a recurring theme in German opera (9) 12 Turned and twisted overmuch (9) 13 Note basic education contains nothing but fault (6) 14 Suit to change in part (6) 15 Army unit is also included in the project (7) 18 No gentleman, Sir Robin, when payments are due! (4, 3) 20 The know-all gets Dan in a temper (6) 22 A number order brick (5) 24 Proved to be a full member of the church (9) 25 The only one in a suit wearing a vest (9) 26 Van goes round about East African republic (5) 27 New wars or old weapons (6) 28 Allows freedom where documents are concerned (6)

Singer makes technology re-alignment

SINGER COMPANY, the producer of electronic systems, has announced the establishment of two new high-technology business groups and the appointment of two executives to direct their operations.

Mr Terry W. Hill, 48, becomes executive vice president, defence electronics group. He will be responsible for the Singer divisions engaged in command/control and intelligence and electronic warfare; navigation/guidance; and tactical control.

Mr William D. Turner, 59, becomes group vice president, training systems group. He takes responsibility for operations in simulation systems, simulation-based training services, and vocational training.

Mr Turner was previously president of the Link Flight Simulation division and will continue as acting president there.

BankAmerica Canada chief executive

MR JAMES SHELLEY has been appointed president and chief executive of Bank of America Canada, the offshoot of the California-based group.

Changes at Kidde

KIDDE, the New Jersey diversified industrial concern—the interests of which include the consumer and recreation fields and safety and security—has appointed Mr David R. Ficca, 54, vice chairman, in succession to Mr Bernard N. Ames, who remains a director.

AUTHORISED UNIT TRUSTS

Table listing various unit trusts and their managers, including Abbey Unit Trust, Abbey Fund Managers, and others.

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AUTHORISED UNIT TRUSTS & INSURANCES

Table of financial data for various unit trusts and insurance companies, including columns for company names, fund names, and numerical values.

Table of financial data for various unit trusts and insurance companies, including columns for company names, fund names, and numerical values.

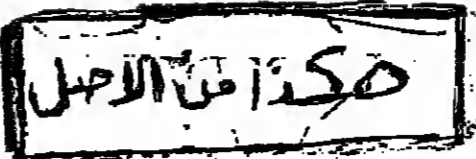
Table of financial data for various unit trusts and insurance companies, including columns for company names, fund names, and numerical values.

Table of financial data for various unit trusts and insurance companies, including columns for company names, fund names, and numerical values.

INSURANCES

Table of insurance data, including company names and numerical values.

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INSURANCE, OVERSEAS & MONEY FUNDS

Table listing various insurance and overseas funds, including company names, fund names, and numerical values.

Table listing insurance and overseas funds, including company names, fund names, and numerical values.

Table listing insurance and overseas funds, including company names, fund names, and numerical values.

Table listing money funds and bank accounts, including company names, fund names, and numerical values.

OFFSHORE AND OVERSEAS

Table listing offshore and overseas funds, including company names, fund names, and numerical values.

Table listing offshore and overseas funds, including company names, fund names, and numerical values.

Table listing offshore and overseas funds, including company names, fund names, and numerical values.

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NOTES

Text providing notes and details regarding the funds listed in the table.

TRADITIONAL OPTIONS

Table listing traditional options, including company names, option names, and numerical values.

LONDON SHARE SERVICE

BRITISH FUNDS table with columns for Fund Name, Price, Dividend, and Yield.

AMERICANS - Cont. table listing various American stocks and their prices.

Canadians table listing Canadian stocks and their prices.

INDEXED table listing various index-linked funds and their values.

AMERICANS table listing more American stocks and their prices.

BUILDING, TIMBER, ROADS - Cont. table listing construction-related stocks.

DRAPERY & STORES - Cont. table listing retail and clothing stocks.

ELECTRICALS table listing electrical and utility stocks.

CHEMICALS, PLASTICS table listing chemical and plastic stocks.

DRAPERY AND STORES table listing more retail and clothing stocks.

ENGINEERING - Continued table listing engineering and technology stocks.

INDUSTRIALS - Continued table listing various industrial stocks.

INDUSTRIALS (Miscellaneous) table listing miscellaneous industrial stocks.

INDUSTRIALS (Miscellaneous) table listing more miscellaneous industrial stocks.

INDUSTRIALS (Miscellaneous) table listing further miscellaneous industrial stocks.

INDUSTRIALS (Miscellaneous) table listing additional miscellaneous industrial stocks.

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INDUSTRIALS - Continued table listing various industrial stocks and their prices.

INDUSTRIALS (Miscellaneous) table listing miscellaneous industrial stocks.

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INDUSTRIALS (Miscellaneous) table listing further miscellaneous industrial stocks.

INDUSTRIALS (Miscellaneous) table listing additional miscellaneous industrial stocks.

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Financial Times Monday May 19 1986

INDUSTRIALS—Continued

Table of industrial stocks including companies like British Airways, British Petroleum, and British Telecom, with columns for stock price, last price, and change.

LEISURE—Continued

Table of leisure stocks including companies like British Airways, British Petroleum, and British Telecom, with columns for stock price, last price, and change.

MOTORS, AIRCRAFT TRADES

Table of motor and aircraft trade stocks including companies like British Airways, British Petroleum, and British Telecom, with columns for stock price, last price, and change.

NEWSPAPERS, PUBLISHERS

Table of newspaper and publisher stocks including companies like British Airways, British Petroleum, and British Telecom, with columns for stock price, last price, and change.

PAPER, PRINTING, ADVERTISING

Table of paper, printing, and advertising stocks including companies like British Airways, British Petroleum, and British Telecom, with columns for stock price, last price, and change.

INSURANCE

Table of insurance stocks including companies like British Airways, British Petroleum, and British Telecom, with columns for stock price, last price, and change.

PROPERTY—Continued

Table of property stocks including companies like British Airways, British Petroleum, and British Telecom, with columns for stock price, last price, and change.

PROPERTY—Continued

Table of property stocks including companies like British Airways, British Petroleum, and British Telecom, with columns for stock price, last price, and change.

COMMERCIAL VEHICLES

Table of commercial vehicle stocks including companies like British Airways, British Petroleum, and British Telecom, with columns for stock price, last price, and change.

SHIPPING

Table of shipping stocks including companies like British Airways, British Petroleum, and British Telecom, with columns for stock price, last price, and change.

SHOES AND LEATHER

Table of shoe and leather stocks including companies like British Airways, British Petroleum, and British Telecom, with columns for stock price, last price, and change.

SOUTH AFRICANS

Table of South African stocks including companies like British Airways, British Petroleum, and British Telecom, with columns for stock price, last price, and change.

TEXTILES

Table of textile stocks including companies like British Airways, British Petroleum, and British Telecom, with columns for stock price, last price, and change.

INVESTMENT TRUSTS—Cont.

Table of investment trusts including companies like British Airways, British Petroleum, and British Telecom, with columns for stock price, last price, and change.

FINANCE, LAND—Cont.

Table of finance and land stocks including companies like British Airways, British Petroleum, and British Telecom, with columns for stock price, last price, and change.

FINANCE, LAND—Cont.

Table of finance and land stocks including companies like British Airways, British Petroleum, and British Telecom, with columns for stock price, last price, and change.

MINES—Continued

Table of mine stocks including companies like British Airways, British Petroleum, and British Telecom, with columns for stock price, last price, and change.

MINES—Continued

Table of mine stocks including companies like British Airways, British Petroleum, and British Telecom, with columns for stock price, last price, and change.

Diamond and Platinum

Table of diamond and platinum stocks including companies like British Airways, British Petroleum, and British Telecom, with columns for stock price, last price, and change.

Central African

Table of Central African stocks including companies like British Airways, British Petroleum, and British Telecom, with columns for stock price, last price, and change.

FINANCE

Table of finance stocks including companies like British Airways, British Petroleum, and British Telecom, with columns for stock price, last price, and change.

DIL AND GAS

Table of oil and gas stocks including companies like British Airways, British Petroleum, and British Telecom, with columns for stock price, last price, and change.

Australians

Table of Australian stocks including companies like British Airways, British Petroleum, and British Telecom, with columns for stock price, last price, and change.

NOTES

Notes section containing various financial notices and updates.

السوق العالمية

WORLD STOCK MARKETS

FRANCE: Table with columns for stock names, prices, and changes. Includes companies like Bouygues, Bouffes, and Bouffes.

ITALY: Table with columns for stock names, prices, and changes. Includes companies like Banco Com, BNL, and BNL.

NETHERLANDS: Table with columns for stock names, prices, and changes. Includes companies like ADF Holding, AEGON, and AEGON.

GERMANY: Table with columns for stock names, prices, and changes. Includes companies like AEG, Allianz, and Allianz.

SPAIN: Table with columns for stock names, prices, and changes. Includes companies like Banco de España, Banco de España, and Banco de España.

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INDICES

Table of stock indices for various countries including Australia, Belgium, Canada, France, Germany, Hong Kong, Italy, Japan, Netherlands, Norway, Singapore, South Africa, Sweden, Switzerland, and the UK.

NEW YORK

Table of stock prices and trading activity for the New York market, including various sectors and individual stocks.

CANADA

Table of stock prices and changes for the Canadian market, including companies like Alcan, Bell Canada, and Canadian National.

OVER-THE-COUNTER

Table of over-the-counter stock prices and changes, including various companies and their market status.

After the final curtain, all the world's a stage.



Now that the Financial Times is printed in the U.S. you can get the next day's edition well before midnight in New York's theatre district. At many newsstands or from one of our unashamedly pink dispensers. It makes a grand finale to an evening on the town. Urban, astute, well-informed and insightful, the FT is a splendid company over a nightcap. And not just for its illuminating discourse on affairs of high finance and business. The FT is nothing if not well-rounded. Each day there are reviews, commentary and observations on artistic and cultural events. And the Arts Guide tells you what's taking place when—in major cities in scores of different countries. Yes, all the world is a stage to the FT. Don't miss a performance, Monday through Saturday! For a personal subscription call the Financial Times direct from 9 am to 6 pm New York time: 212-752-4500.

FINANCIAL TIMES Because we live in financial times.

Closing prices, May 16

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Main table containing stock prices, organized into columns with headers for stock names, prices, and changes. Includes sub-sections like 'D D D' and 'K K K'.

Continued on Page 37

NYSE COMPOSITE CLOSING PRICES

AMEX COMPOSITE CLOSING PRICES

Table of NYSE Composite Closing Prices, including columns for stock symbols, prices, and volume. Includes sub-sections for 'Continued from Page 36' and 'Special Subscription Delivery Service of the Financial Times in MILAN'.

Table of AMEX Composite Closing Prices, including columns for stock symbols, prices, and volume.

OVER-THE-COUNTER Nasdaq national market, closing prices, May 16

Table of Over-the-Counter (Nasdaq) closing prices, including columns for stock symbols, prices, and volume.

ATHENS FINANCIAL TIMES SPECIAL SUBSCRIPTION HAND DELIVERY SERVICE For information contact: VOGIATZIS-Karneadon 7 Tel: Athens 72-23-469 or John Rolley Tel: Frankfurt (069) 75980

Special Subscription Delivery Service of the Financial Times in MILAN For further information contact: Intercontinental S.r.l. Milan Tel: (02) 638 7441 Telex: 330467

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Doubts about dollar's future

BY COLIN MILLHAM

Last week's strengthening of the dollar was largely the result of comments made by officials in Washington, Tokyo and Frankfurt. The Bank of Japan intervened from time to time, to judge the dollar higher, while the US currency also gained support from Thursday's money supply figures, which appeared to rule out any early cut in US interest rates.

On Monday the dollar was at its weakest, falling below ¥160 in Tokyo. It also recovered in European trading, as the foreign exchanges awaited a speech on Tuesday by Mr James Baker, US Treasury Secretary. He told the Senate Finance Committee the Administration was concerned that because the US has no target for the dollar, it is assumed by the market that a further decline is desired.

It certainly has been assumed that the US is prepared to see a weaker dollar, to correct the trade imbalance with Japan unless the Japanese Government is willing to boost economic growth, and encourage more imports from the US. Mr Paul Volcker, chairman of the Federal Reserve Board, has long been known to be concerned about the weakness of the dollar. He also urged testimony before Congress on Tuesday, and his comments, coupled with those of Mr Baker,

£ IN NEW YORK

Table with columns: May 16, Close, Prev. close. Rows for 1 month, 3 months, 6 months, 12 months, Forward premiums and discounts, and U.S. dollar.

could sometimes be useful. Shortly after, Mr Yasuhiro Nakasone, the Japanese Prime Minister, was reported to have suggested the time was near for co-ordinated intervention.

Although the US Federal Reserve was not expected to join in any agreed intervention policy, the suggestion of joint action by West Germany and Japan was enough to lift the dollar.

This completed a week of conflicting statements and growing uncertainty about the dollar, but the final surge was provided by the weekly money supply figures. Dollar M1 was expected to rise by about \$2bn, but increased by \$6.1bn, and is now about \$11bn above the target range. The Federal Open Market Committee meets tomorrow, and will obviously be concerned by the latest figure, particularly against a background of expected rising economic growth.

While not arguing with the comments of Mr Baker and Mr Volcker, the views of Mr Beldridge and Mr Sumita tend to encourage thoughts of a further weakening of the dollar.

But this was short-lived, and the dollar soon began to rise again. On Thursday Mr Karl Otto Poehl, president of the German Bundesbank, said that the yen had been too fast, it should not do serious damage to the Japanese economy.

PHILADELPHIA GE E/S DPTIONS \$12,500 (cents per £1)

Table with columns: Strike, Price, Call, Put, Last, etc. Rows for various dates and prices.

LONDON 20-YEAR 12% NATIONAL GILT \$50,000 points of 100%

Table with columns: Date, Close, High, Low, Prev. Rows for various dates and prices.

CHICAGO US TREASURY BONDS (CBT) 3% 300,000 2 1/2% of 100%

Table with columns: Date, Close, High, Low, Prev. Rows for various dates and prices.

THREE-MONTH STERLING \$500,000 points of 100%

Table with columns: Date, Close, High, Low, Prev. Rows for various dates and prices.

US TREASURY BONDS (MM) \$1m points of 100%

Table with columns: Date, Close, High, Low, Prev. Rows for various dates and prices.

CURRENCY FUTURES POINTS & FOREIGN EXCHANGE 1-mth, 3-mth, 6-mth, 12-mth

Table with columns: Date, Close, High, Low, Prev. Rows for various dates and prices.

THREE-MONTH EURO-DOLLAR \$1m points of 100%

Table with columns: Date, Close, High, Low, Prev. Rows for various dates and prices.

FTSE 100 INDEX 25-point index

Table with columns: Date, Close, High, Low, Prev. Rows for various dates and prices.

EXCHANGE CROSS RATES May 16

Table with columns: Currency, Rate, etc. Rows for various currencies.

EURO-CURRENCY INTEREST RATES May 19

Table with columns: Currency, Term, Rate, etc. Rows for various currencies and terms.

NEW YORK (4 pm) Prime rate, Fed funds, Treasury Bills & Bonds

Table with columns: Term, Rate, etc. Rows for various terms and rates.

BANK OF ENGLAND TREASURY BILL TENDER

Table with columns: Bill on offer, Total, etc. Rows for various bill tenders.

FT LONDON INTERBANK FIXING (11.00 a.m. May 16)

Table with columns: Term, Rate, etc. Rows for various interbank fixings.

LONDON MONEY RATES May 16

Table with columns: Term, Rate, etc. Rows for various money rates.

WEEKLY CHANGE IN WORLD INTEREST RATES

Table with columns: Location, Term, Change, etc. Rows for various locations and terms.

MONEY RATES May 10

Table with columns: Location, Term, Rate, etc. Rows for various locations and terms.

Other currencies: Frankfurt, Zurich, Amsterdam, Tokyo, Milan, Brussels, Dublin

London - band 1 bills mature in up to 14 days, band 2 bills 15 to 23 days, band 3 bills 24 to 31 days and band 4 bills 32 to 91 days.

Changes are for EU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

The Kingdom of Belgium Floating Rate Notes Due December 2004. Includes logo and contact information for Morgan Guaranty Trust Company of New York.

YOKOHAMA ASIA LIMITED (Incorporated in Hong Kong) U.S. \$100,000,000 GUARANTEED FLOATING RATE NOTES DUE 1997. Includes logo and contact information for Citibank.

DnC Den norske Creditbank Primary Capital Perpetual Floating Rate Notes. Includes logo and contact information for Citibank.

How independently is your gilt portfolio being managed? RESERVE ASSET MANAGERS LIMITED. Includes images of 'GILT PORTFOLIO' and 'DEALERS BOOK' and detailed text about their services.

CURRENCY MOVEMENTS May 16

OTHER CURRENCIES May 16

CURRENCY RATES May 18

DOLLAR SPOT-FORWARD AGAINST DOLLAR May 16

FORWARD RATES AGAINST STERLING

EMS EUROPEAN CURRENCY UNIT RATES

MONEY MARKETS

Uncertain picture on rates

Interest rates stabilised on the London money markets last week, after an early decline when optimism grew about an early cut in clearing bank base rates. On Monday three-month interbank fell to 10 1/2 per cent from 10 1/4 per cent, but then showed little change, closing at 10 1/2 per cent on Friday.

Credit conditions were generally quite comfortable, with the discount houses under no strong pressure to sell bills. Cheap money during the morning was taken up by the houses, moving any shortage outside the discount market. The houses were also reluctant to sell paper at

UK clearing bank base lending rate 10 1/2 per cent since April 21. existing Bank of England intervention rates, on hopes of lower base rates.

On Friday UK inflation fell to 3 per cent, the lowest for 18 years, keeping alive hopes of another cut in base rates, but the signals from the other side of the Atlantic were not so encouraging. The FOMC meets tomorrow, and after last week's money supply figures, will remain cautious about allowing a further decline in US interest rates.

Mr Karl Otto Poehl, president of the Bundesbank, also ruled out any early cut in West German interest rates while the D-mark remains technically weak within the European Monetary System.

BANK OF ENGLAND TREASURY BILL TENDER

FT LONDON INTERBANK FIXING

LONDON MONEY RATES

WEEKLY CHANGE IN WORLD INTEREST RATES

MONEY RATES